

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

*An End to Such Acts*



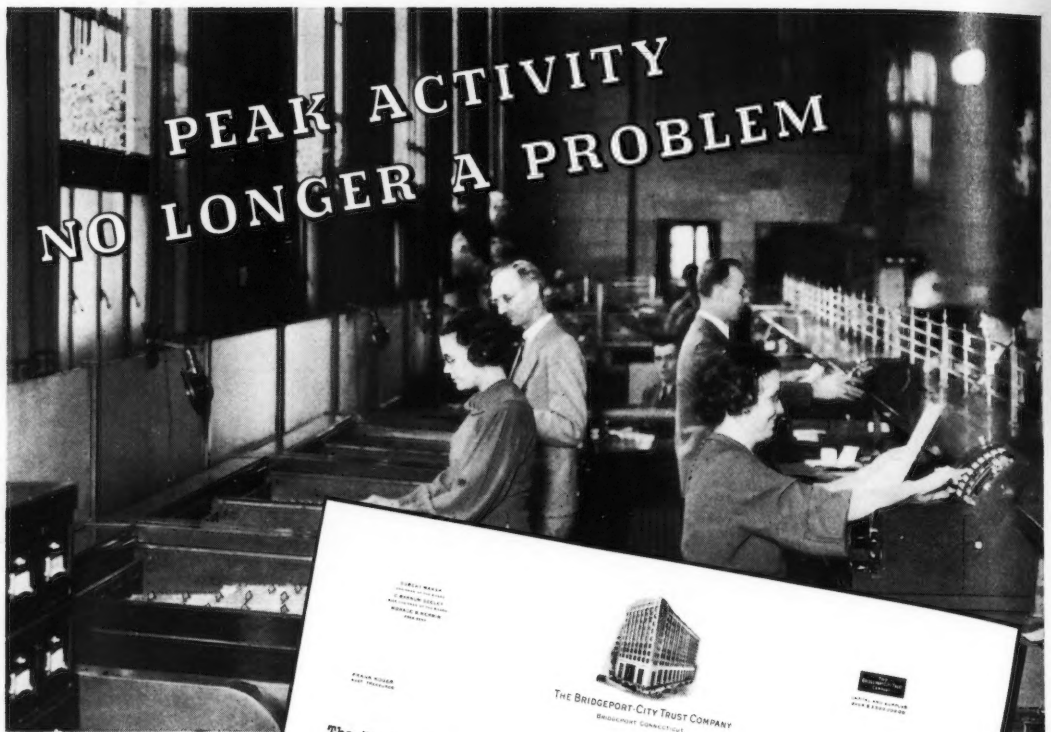
PAGE ONE

APRIL 1936

THE BUILDERS' BANKER

FORECASTING FAVORABLE WEATHER

C. MEYER



# PEAK ACTIVITY NO LONGER A PROBLEM

How one bank has completely overcome the difficulties of weekly peaks in its savings department is explained in this letter from Mr. Frank Koger, assistant treasurer of The Bridgeport-City Trust Company, Bridgeport, Conn. Ask our representative how National Posting Machines can speed service, insure accuracy, simplify bookkeeping in your institution.

The National Cash Register Co.,  
Dayton, Ohio.

Gentlemen:

We are glad to give you an expression of opinion as to the benefit we have received from the installation of two of your Account Posting Machines in our Savings Department.

The activity in this Department on Saturday mornings caused by most of the factories in Bridgeport being closed on that day was a real problem to us before we installed your machines. We are now able to give our customers much quicker and better service with greater accuracy, and a neater and more legible record in the pass books.

One of the outstanding benefits is the Audit Control feature, whereby we obtain a complete record on the journal sheets of every transaction put through the machines, and the auditor spends an average of only about fifteen minutes a day to get his control figures.

We honestly feel that we have made an advance in our Savings Department accounting, equal in importance to that in our Commercial Department when we went from Boston Ledger pen posting to machine posting.

Very truly yours,

THE BRIDGEPORT-CITY TRUST COMPANY,

*Frank Koger*  
Assistant Treasurer.

FK:KS

**THE National Cash Register Co.**  
DAYTON, OHIO

Cash Registers • Typewriting-Bookkeeping Machines • Posting Machines  
• Bank-Bookkeeping Machines • Check-Writing and Signing Machines •  
Analysis Machines • Postage Meter Machines • Correct Posture Chairs



J. J. Pelley

BLANK-STOLLER

## An End to Such Acts

"GREAT concern is evidenced today about the funded debt of the railroads and the necessity for its reduction. If there were the same concern on the part of governmental authorities, legislative and others, with respect to the increase in expense caused by legislative or regulatory action, we might well feel that there would be an end to such acts as unnecessarily increase the expense of railroad operation.

"All that can practically be done will be done by the railroads to reduce their operating costs, whether in the direction of unification of terminals, reduction of waste in methods of service, or in other ways. But what advantage will come to shippers or to railroads if the money saved must at once be taken out of the cash drawer to pay increased costs of operation resulting from new legislation or regulations which make impossible continued economies for the railroads without adding anything to their safety, service or revenues? What the railroads need today as much as anything else is the adoption of a policy, national and state, to stop further legislation or regulation that will add to the cost of railroad operation."—J. J. PELLEY, president of the Association of American Railroads, in an address to the American Institute of Mining and Metallurgical Engineers.

## PAGE ONE

### Corporate Financing

UNLESS there is a sharp upturn in money rates there are indications that corporations in this country will have called for upward of \$1,100,000,000 of new and old money during the late Winter and early Spring, and the total may well go beyond that estimate. The railways lead in this borrowing.

At their annual meeting on April 14 the stockholders of the Pennsylvania Railroad Company will be asked to authorize an increase in the indebtedness of the road by \$75,000,000. This amount will include some refinancing. Expenditures for expansion and betterment will be spread over some time, but the new debt limit indicated is significant.

Issues of this sort during March included \$60,344,000 for the Virginian Railway Company; \$44,000,000 for the Chicago Union Station Company; \$60,000,000 of Shell Union Oil Corporation bonds; \$22,000,000 of American General Corporation bonds; and \$41,469,000 of Chicago Sanitary District bonds sold by the R.F.C.

Mid-March prospects included \$27,000,000 of Union Pacific obligations; \$40,000,000 Jones & Laughlin Steel bonds; \$90,000,000 Pacific Gas and Electric bonds; \$56,000,000 Consumers' Power bonds; \$75,000,000 Eastern Gas and Fuel Associates bonds; \$70,000,000 Consolidated Gas bonds; \$50,000,000 Consolidated Oil Company bonds; and

\$40,000,000 New York Central bonds. The L. & N. Railroad obligations of \$9,292,000, due next August, are already in the course of refunding plans.

April will witness a refunding of \$185,000,000 of Federal land bank bonds. A Brooklyn-Manhattan issue of \$92,000,000 will be out in April, if not before; so also a Northern Pacific \$100,000,000 refunding issue. Armour and Company has called for redemption as of June 1 \$10,000,000 of its first mortgage 4½ per cent bonds due in 1939. The National Dairy Products Corporation is to refund \$65,839,500 of its obligations.

At least a dozen other issues of importance are in the preparatory stage under rules of the S.E.C. Dealers are proceeding upon the assumption that neither the political nor economic outlook is such as to threaten any change in market conditions—rather otherwise, since the pressure of investment funds upon the market is increasing.

### Foreign Financing

Provided only that the European war scares can be abated, investment houses have considerable hope of placing new foreign issues in this country. The success of the Norwegian loan of \$17,000,000 in March is taken as proof that American buyers are able and willing to discriminate between the good and the bad in foreign issues, and that, in spite of the disrepute into which foreign issues have fallen on American markets,

the proper sort of securities can still be successfully placed at fair rates. Several Scandinavian municipal issues are expected soon; so also Australian and Argentine issues. The field certainly is limited, but it may be broadened.

### Automobiles

It is now expected that sales of new automobiles in the United States during the current year will amount to approximately 5,000,000 cars. Since the experience of the trade shows that for every 100 new cars sold 171 second hand cars must be disposed of in the "trade-in" cycle, this means that upward of 13,500,000 motor cars will change hands during the year through dealers alone. On an average, 56.6 per cent of these sales will involve instalment financing.

### Surcharges

The authority granted railways to impose surcharges on certain classes of freight in order to enable them to make ends meet expires on July 1. There is no doubt that the roads need the \$104,500,000 increase in their incomes supposed to be produced by this increase in rates. The only question as to renewal seems to be whether or not they may earn more by increased business resulting from a restoration of normal rates. Whatever may be the needs of the railways, the fact remains that high freight rates retard business in many commodities and in more than one part of the country.

(CONTINUED ON PAGE 5)



## RATING... *A1*

This man cannot be classed as wealthy—but he is, in our opinion, the very best risk in America.

He earns a comfortable income. His living standards are high. His personal business is in excellent order. He owns the home in which he lives—and he keeps it in good condition.

Men like this man have a credit rating of the highest—with us. Mortgages on their homes are the best obtainable. And because they are the highest security, such mortgages make up a large part of the Investors Syndicate portfolio.

For even greater security, Investors Syndicate requires systematic amortization of each loan—so that its margin of safety increases steadily.

These factors contribute to the sound financial standing of Investors Syndicate. They have been of vital importance in the growth of this institution.

Have you a copy of our latest financial statement?

### INVESTORS SYNDICATE

*Established 1894*

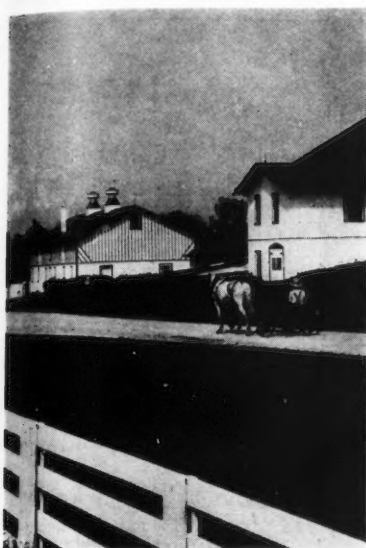
*Living Protection*

*Offices in 120 principal cities, including:*

New York† • Boston • Pittsburgh • Chicago  
Birmingham • Detroit • Dallas • St. Louis  
Kansas City • Denver • Seattle • San Francisco  
Toronto\* • Montreal\* • Vancouver\*

*Home Office: Minneapolis, Minn.*

*Affiliated Companies: †Investors Syndicate Title and Guaranty Company, New York. \*Investors Syndicate, Ltd., Canada.*



ROBERTS

## FARM FINANCE

Here is a short bibliography on the relationships between banking and agriculture:

MAKING FARM INVESTMENTS SAFE, Agricultural Commission, American Bankers Association, 1933; BANK CREDIT AND AGRICULTURE, Ivan Wright, McGraw-Hill, 1922; THE FARMER'S CAMPAIGN FOR CREDIT, Clara Eliot, D. Appleton, 1927; FARM CREDITS IN THE UNITED STATES AND CANADA, James B. Morman, Macmillan, 1924; FARM MORTGAGE FINANCING, Ivan Wright, McGraw-Hill, 1923; PROTECTING INVESTMENT VALUES IN LAND, Agricultural Commission, A.B.A., 1935; FACTORS AFFECTING FARM CREDIT, Agricultural Commission, A.B.A., 1934; HISTORY AND THEORY OF AGRICULTURAL CREDIT IN THE UNITED STATES, E. S. Sparks, Crowell, 1932; RURAL CREDITS, LAND & COOPERATIVE, Myron T. Herrick and R. Ingalls, Appleton-Century, 1914; THE FEDERAL FARM LOAN SYSTEM IN OPERATION, A. C. Wiprud, Harper, 1921; BANK LOAN MANAGEMENT, H. N. Stronck and J. Eigelberner, Rand McNally, 1930; PRINCIPLES OF AGRICULTURAL CREDIT, V. P. Lee, McGraw-Hill, 1930; monthly BULLETIN OF THE AGRICULTURAL COMMISSION, A.B.A.



# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

APRIL 1936

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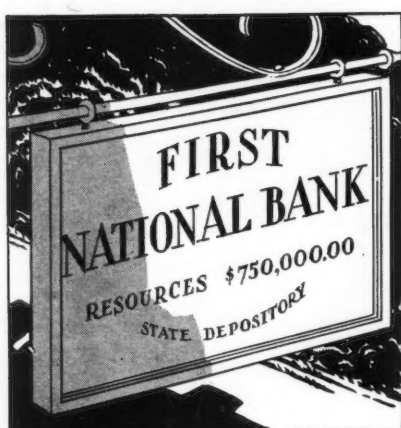
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ALIKE IN NAME

... but how  
different  
their investment problems



One is in an industrial center, the other in the heart of the corn belt . . . both are "First Nationals." But their investment needs are as unlike as the communities they serve.

Moody's Supervisory Service rests squarely on the principle that "your bank is different" . . . that machine-made investment counsel can be only of limited usefulness in solving your bank's investment problems.

That is why, when you become a subscriber to Moody's Supervisory Service, your personal counsellor will ask you your needs for income, liquidity . . . your seasonal needs for cash . . . the amount and character of deposits and loans . . . your loaning policy, service charges and a lot of other questions seemingly unrelated to bond investments.

Then—and only then—can he apply the findings of Moody's staff of security analysts to the particular requirements of your institution and map out an investment program that will give you the income, security and liquidity your bank needs.

We should like to show you or your directors just how Moody's Supervisory Service can help your bank—how inexpensively you can obtain the protection you seek. Your inquiry involves no obligation.

## MOODY'S INVESTORS SERVICE

JOHN MOODY, *President*

65 Broadway, New York City

105 West Adams St., Chicago

(CONTINUED FROM PAGE 1)

## Railway Fares

The order of the Interstate Commerce Commission reducing basic railway fares from 3.6 to 2 cents a mile goes into effect on June 2. That is approximately the beginning of the vacation season. Thus the latest phase of the long drawn out duel between the train and the motor car commences at a time when a substantial test of the wisdom of the reduction can be made. Essentially the question at issue is the same as that between comparative benefits from a small turnover of goods at a large profit and a large turnover at a small profit.

In the opinion of the minority members of the I.C.C. the question is not quite so simple, since it has been calculated that the average expense of carrying a passenger a mile in the United States is 2.73 cents and that the Commission's order thus in effect compels the roads, on an average, to carry their patrons at a loss. On the other hand railroads running comparatively empty trains face a heavier loss than they would suffer if trains were filled at even lower rates of fare.

What the carriers need is the highest possible net revenue on passenger traffic, which may well be a lower margin of loss rather than a higher margin of gain. Most of the time in railway history passenger traffic has not been profitable but, aside from the fact that public interest requires that passenger service

be furnished by the roads in return for the franchise they have for other services, the railway plant and operating organization and overhead exist whatever the nature or volume of traffic, and the more fully the plant and organization can be used the better chance there is for maximum earnings and profits.

Railway conditions vary in the several parts of the country, and doubtless the uniform rule will not work equably everywhere. For the roads as a whole, however, the probabilities are that the change in fares will work a benefit, and it is upon these probabilities that the Commission has based its decision. There is, of course, no doubt where the travelling public stands in the matter. A reduction of nearly half in basic fares, with corresponding reductions in other charges, will again bring rail travel within the reach of the great mass of people for purposes of pleasure as well as necessity. Whether this increased popularity can be translated into railway profits remains to be seen, but in the meanwhile it must be realized that the railways must make some change in their operating policies if a majority of them are not to become insolvent. Except under necessity a great portion of the travelling public simply will not pay the rates of fare charged by the railways in recent years—during a time of depression—and it is not at all certain that they would pay them again even in boom times.

## RELIEF

Senator Holt of West Virginia, having charged that W.P.A. relief was being administered politically in his state, branded Administrator Hopkins' subsequent investigation as a "whitewash". The charges focused attention on a Federal effort that has met with varying degrees of success in different parts of the country, as was predicted on the basis of C.W.A. results. Below, the Federal Capitol from one of Washington's yet untouched slum districts



HARRIS & EWING

April 1936



# GENERAL MILLS, INC.

## 31st Consecutive Preferred Stock Dividend

February 28, 1936

Directors of General Mills, Inc., announce the declaration of the regular quarterly dividend of one dollar and fifty cents (\$1.50) per share upon the 6% Cumulative Preferred stock of the company, payable April 1, 1936, to all Preferred stockholders of record at the close of business March 10, 1936. Checks will be mailed. Transfer books will not be closed. This is the thirty-first consecutive dividend on General Mills' Preferred.

(Signed) KARL E. HUMPHREY, Treasurer.



## FEDERAL INTERMEDIATE CREDIT BANK Consolidated Debentures

Authorized by an Act of Congress approved March 4, 1923 As Amended

Exempt from Federal, State, Municipal and Local Taxes

Consolidated debentures are the joint and several obligation of the twelve Federal Intermediate Credit Banks.

These debentures are eligible up to six months' maturity for purchase by the Federal Reserve Banks.

They are acceptable as collateral security for fifteen day loans by member banks of the Federal Reserve System.

Consolidated debentures are legal for investment by savings banks in the State of New York.

They are eligible as security for all fiduciary, trust, and public funds held under the authority or control of officers of the United States.

These debentures have been approved as security for deposits of postal savings funds.

★ Further information and circulars can be obtained through your dealer or

**CHARLES R. DUNN, Fiscal Agent**  
For the Federal Intermediate Credit Banks  
31 Nassau Street New York City

## \*THIS MAN MADE A SALE-



## \*THIS MAN secured a customer FOR HIS HOUSE



★ Does the distinction between "making a sale" and "securing a customer" seem finely drawn?

We think not. We believe that there is a vast difference between the two transactions.

To secure a customer is to make a friend—to sell in such a way as to command respect and build good will—that, together with making a normal profit, is the goal for which all conscientious manufacturers strive.

In spite of the hard-boiled veneer that some American business men sometimes acquire—and the analytical scrutiny they apply to their purchases—we venture to say that eighty per cent of the merchandise bought in this country today is bought on faith. Because of the confidence the buyer has in his source of supply.

It is the aim of De Luxe Check Printers to secure customers, not merely to make sales—to win the confidence of our customers so they will entrust us with the responsibility of taking care of their requirements.

We have hundreds of such customers and what a pleasure it is to do business with them.

**De Luxe**  
**CHECK PRINTERS**  
**INC.**

CHICAGO CLEVELAND KANSAS CITY  
NEW YORK ST. PAUL

### Power

While the dam and power house of the Boulder Dam undertaking have been completed and turned over to the Government approximately two years ahead of the time planned, the work yet to be done on subsidiary features approximates two-thirds of the amount accomplished—a ratio of \$100,000,000 to \$165,000,000, indicating the size of the task yet to be completed. It is worth noting that, according to the power companies which have contracted to distribute the energy generated by this vast undertaking, the cost of the current from the dam at the present contract rate, including loss in transmission, will not be less than the present cost of generating it on the spot by the most modern steam plants. This is something of an eye-opener and the fact may have a bearing upon numerous hydro-electric plants in other parts of the country. Incidentally it also indicates that the principal justification of the Boulder Dam project is in the matter of water supply and flood control—quite ample justification in themselves.

### Doubled

Analysis by the New York Stock Exchange and other authorities indicates that cash buying of stocks in the country's markets has represented, proportionately, twice the volume prior to 1930. It is for this if for no other reason that policies of the exchanges in the future will be directed more and more

from the standpoint of the investor rather than from that of the speculator. Some of this development may be due to governmental policies, but more of it is probably due to the pressure of idle funds which are endeavoring to make a living.

### Silver

Under its new policy of buying all newly mined silver from producing countries in the western hemisphere, the Federal Treasury will acquire approximately 130,000,000 ounces from this source during the current year. At that rate it will have just about 10 years to go in the plan to acquire one-third as much silver as gold for currency backing. If, however, copper, lead and zinc mining should reach the 1929 volume another 100,000,000 may easily be added this year and the period of purchase shortened by nearly half. Of course, the Treasury can buy when, where, as and if it wishes.

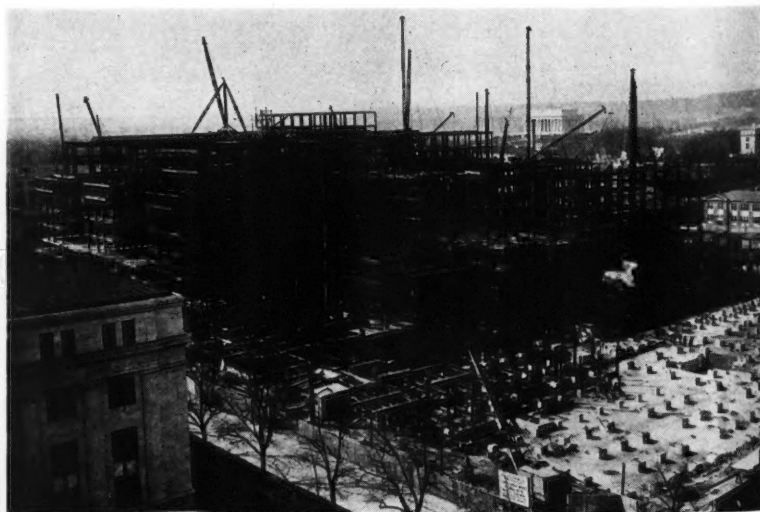
### Highways

The Secretary of Agriculture, under a little-known appropriation act, is to spend \$1,300,000 in experiments looking to the use of cotton in highway construction, both as a binder or reinforcement of bituminous surfacing and as mats for use in curing concrete. Since rubber has also been urged for use in road building the time may come when the typical highway will be something on the order of an automobile tire.

(CONTINUED ON PAGE 8)

### THE FEDERAL PLANT

There are 11,120,925 persons receiving all or part of their income from the Federal Government, according to a recent compilation by the National Industrial Conference Board. The payrolls of the regular Government establishment increased from 861,033 in December 1933 to 1,108,766 last December. Below, the \$10,000,000 building being constructed for the use of the Interior Department



HARRIS & EWIN  
BANKING

# "Unforeseen events . . .

*so often change and shape the course of man's affairs"*



## "3 minutes I'll never forget"

"I Faced DEATH . . . we crashed . . . head on! I saw the other driver thrown clear. As I opened my eyes I saw him getting up. At least we were both alive. The next minute, with stunning suddenness, came a new shock as I realized the seriousness of my predicament. I was hundreds of miles from home . . . among strangers! Police would soon be here . . . Then, as quickly as it came, my worry vanished. I remembered that no matter where I might be the Maryland was no farther away than the nearest telephone or telegraph!"

Suppose *your* accident, too, should happen in a locality in which you are unknown. You may need a bail bond to escape being jailed. Or a bond to release your car pending settlement

of claim. But your Maryland service card is a passport to whatever help you need. Given you with your Maryland automobile liability policy this card commands 10,000 Maryland agents . . . assures protection in *every* State, in Alaska, Canada, Cuba, Puerto Rico, Canal Zone, Mexico, and Hawaii. When trouble comes, a glance at the card, a 'phone call or a wire sent "collect" through the nearest telegraph office and the nearby help of the Maryland is with you.

Through the Maryland you can be safeguarded against many unforeseen events. Full protection and service on the more than 60 bonding and casualty insurance lines that the Maryland writes are available in every corner of greater North America.

The Maryland writes more than 20 bonding lines, including . . . Fidelity . . . Bankers' Blanket . . . Contract . . . Check Alteration and Forgery . . . Depository . . . Fraud . . . Public Official Bonds . . . Judicial. More than 40 types of Casualty Insurance, including . . . Aircraft . . . Engine . . . Automobile . . . Burglary . . . Boiler . . . Elevator . . . Accident and Health . . . Fly-Wheel . . . General Liability . . . Plate Glass . . . Electrical Machinery . . . Sprinkler Leakage . . . Water Damage . . . Workmen's Compensation.

# MARYLAND Casualty COMPANY

SILLIMAN EVANS, President

BALTIMORE, MARYLAND

## Baltimore

### The Inland Seaport

with ocean service to every corner of the world, is closer to the great industrial centers of the interior than any other port on the Atlantic coast. Forty-five percent of the products manufactured in the United States are produced in states which are directly connected with Baltimore by shorter rail routes than those to any other North Atlantic seaport.



### MARYLAND TRUST COMPANY

*Backing the Business that Builds*

#### BALTIMORE

Member of the Federal Reserve System and of the Federal Deposit Insurance Corporation

## SOUND INDEMNITY

The age and reputation of an Insurance Company coupled with the character of its management are factors, which those entrusted with the property interest of others, take into consideration when insurance protection is selected with discrimination.

UNITED STATES FIRE  
INSURANCE COMPANY  
*Organized 1824*

THE NORTH RIVER  
INSURANCE COMPANY  
*Organized 1822*

WESTCHESTER FIRE  
INSURANCE COMPANY  
*Organized 1837*

CRUM & FORSTER  
MANAGERS

110 WILLIAM ST. - NEW YORK

(CONTINUED FROM PAGE 6)

### Speculation

Some security market experts think there will be a marked increase in speculative activity during the second quarter of the year as a result of the increase in corporate earnings during the first quarter. Not the least of the influences along the same line is the continued bright outlook for Spring trade in practically all principal lines.

### Mutuals

When the National Association of Mutual Savings Banks meets in Atlantic City May 13-15 it will represent approximately 575 institutions with assets of \$11,000,000,000 and owned by 14,000,000 depositors.

### Tourists

All signs point to the best tourist season in years by land, water and air, with hundreds of millions of dollars flowing through the banks for the purpose. The tremendous influence of vacation travel on business has come to be one of the accepted measures of prosperity in this country.

### Over-the-Counter

Expectations that the Securities and Exchange Commission would soon fix a definite date for the termination of all trading in unregistered securities and the strict control of over-the-counter markets are, happily, to be disappointed. The Commission, it seems, has merely initiated a course of action "to be per-

fectured in the course of the years to come", and in the meantime it is to follow a policy which will slowly but surely broaden the range of publicly traded securities concerning which the purchasers may have reliable current information. In more ways than one the Commission is giving assurance to legitimate business which the legislation founding it failed to give.

### Modernization

Extension of the Federal Housing Administration's authority to insure loans for the repair and modernization of homes, which otherwise would have lapsed on April 1, was to have been expected. The plan has proved far too useful in many localities to be dropped just at a time when its full usefulness was beginning to be felt.

### T.V.A.

A few weeks more and the real test of the Tennessee Valley Authority in the matter of selling power will come with the installation of generating equipment to supply 200,000 horsepower of electrical energy, most of which will be sold to the public. The recent decision of the Supreme Court on this subject related to broad powers of the Government rather than to specific cases where loss can be shown, and it may be relied upon that the issue will be fought to a finish.

### Mortgages

As a further inducement for the organization of national mortgage associations under the (CONTINUED ON PAGE 10)

### MILLIONS IN DAMAGE

Several eastern states and the Ohio Valley suffered heavily from flood losses, which in some places were the worst in the nation's history. Many inhabitants of river valleys were left homeless, and in the cities of Hartford, Connecticut, Johnstown, Pennsylvania, and Pittsburgh (scene of the picture below) the destruction was particularly severe



INTERNATIONAL  
BANKING

# THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

*Statement of Condition, March 4, 1936*

## RESOURCES

|  |                           |
|--|---------------------------|
| CASH AND DUE FROM BANKS . . . . .                                      | \$ 793,126,402.40         |
| U. S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY<br>GUARANTEED . . . . . | 632,802,503.70            |
| STATE AND MUNICIPAL SECURITIES . . . . .                               | 106,085,744.94            |
| OTHER BONDS AND SECURITIES . . . . .                                   | 117,870,672.31            |
| LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES . . . . .                    | 609,245,471.81            |
| BANKING HOUSES . . . . .   | 38,686,147.62             |
| OTHER REAL ESTATE . . . . .  | 4,160,248.03              |
| MORTGAGES . . . . .  | 10,130,292.62             |
| CUSTOMERS' ACCEPTANCE LIABILITY . . . . .                              | 14,987,266.06             |
| OTHER ASSETS . . . . .   | 14,398,290.58             |
|  | <u>\$2,341,493,040.07</u> |

## LIABILITIES

|  |                           |
|--|---------------------------|
| CAPITAL FUNDS:   |                           |
| PREFERRED STOCK . . . . .  | \$ 50,000,000.00          |
| COMMON STOCK . . . . .   | 100,270,000.00            |
| SURPLUS . . . . .  | 50,000,000.00             |
| UNDIVIDED PROFITS . . . . .                                      | 17,625,805.36             |
| PREFERRED STOCK RETIREMENT FUND . . . . .                        | 750,000.00                |
|  | <u>\$ 218,645,805.36</u>  |
| RESERVE FOR CONTINGENCIES . . . . .                              | 19,558,005.62             |
| RESERVE FOR TAXES, INTEREST, ETC. . . . .                        | 1,609,679.46              |
| DEPOSITS . . . . .   | 2,059,785,315.41          |
| ACCEPTANCES OUTSTANDING . . . . .                                | 17,333,224.41             |
| LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS . . . . . | 3,450,291.04              |
| OTHER LIABILITIES . . . . .                                      | 21,110,718.77             |
|  | <u>\$2,341,493,040.07</u> |

United States Government and other securities carried at \$110,205,549.47 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

*Member Federal Deposit Insurance Corporation*

## A daily flow of helpful data

To and from Marine Midland banking offices in 28 New York State communities, a steady stream of information flows back and forth. From New York to Buffalo, from Rochester to Troy, from Niagara Falls to Binghamton and back again, this clear current of ever-changing business facts is of value both to local customers and outside concerns doing business in the Empire State.

### MARINE MIDLAND BANKS

THROUGHOUT NEW YORK STATE

RESOURCES OVER \$450,000,000

MARINE MIDLAND BANKS ARE LOCATED IN

|               |            |           |                |
|---------------|------------|-----------|----------------|
| NEW YORK CITY | BUFFALO    | ROCHESTER | BINGHAMTON     |
| NIAGARA FALLS | TROY       | JAMESTOWN | WATERTOWN      |
| LACKAWANNA    | LOCKPORT   | OSWEGO    | N. TONAWANDA   |
| BATAVIA       | ENDICOTT   | CORTLAND  | JOHNSON CITY   |
| TONAWANDA     | MALONE     | ALBION    | MEDINA         |
| EAST AURORA   | CORINTH    | AVON      | ALEXANDRIA BAY |
| WEBSTER       | MIDDLEPORT | SODUS     | SNYDER         |

Inquiries should be addressed to Marine Midland Trust Co., New York City  
or to Marine Trust Co., Buffalo

Members Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 8)

Federal Housing Act, which the reduction of minimum capitalization at the last session of Congress failed to stimulate, Congress now proposes to authorize such associations to make direct loans for large scale real estate developments, and to issue debentures up to 20 times their capitalization instead of the round dozen times under present provisions of the law.

### Export-Import

Beginning July 1 the Export-Import Bank of Washington will discount notes given by the Bank of Brazil to American exporters in settlement for the shipment of American goods to the southern republic. This arrangement follows an agreement on the part of the government in Brazil to release enough exchange to liquidate the balances due Americans on export account in 56 equal monthly payments. The discount rate will be 4 per cent plus a commitment fee of 1 per cent, and there will be recourse upon the exporters.

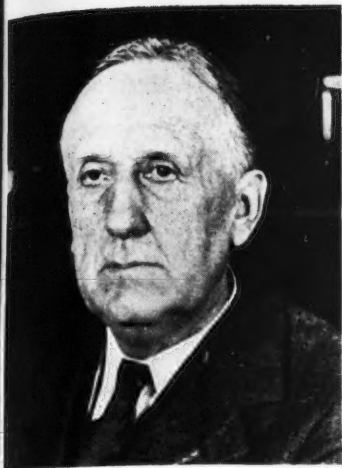
### European Security Purchases

When the annual statement of the balance of international payments of the United States for last year appears in June or thereabouts it will be found that there is a residual credit item in the account of perhaps half a billion dollars, such as there was in the previous statement. It will also be found that most of this item represents unrecorded and untraced international movements of securities—in other words, foreign and especially European purchases of American securities or foreign dollar securities.

All of this is highly pertinent to the reports of heavy European participation in American markets and the influence of these purchases upon recent price advances. It may be noted, also, that this buying has for the most part represented cash investment, betokening abundant confidence in the soundness of business recovery in this country.

### Canadian Debts

Interest and debt charges upon Canada's funded debt for the 1936-1937 fiscal year are estimated by the government of the Dominion at \$140,540,339, or approximately 4.2 per cent on the \$3,385,430,913 gross debt outstanding at last reports. Comparing this rate of interest with Canada's unimpeachable credit and the abundance of money available, it is quite evident that there is room for considerable refunding



WIDE WORLD

#### RAIL FARES

Commissioner Claude R. Porter of the I.C.C. wrote the Commission's majority decision which ordered the recent cut in basic railroad fares. See page 5

which no doubt the Dominion Government will undertake in the near future.

#### Subsidies

April 1 marks the end of the President's power to change or end present ocean mail contracts, and since the Senate's committee having the matter in charge has put its foot down on direct ship subsidies it looks as though the present unsatisfactory system will be continued until the friends of an adequate American merchant marine can agree upon what they want and set about getting it.

#### Electrification

The Niagara Hudson Power system, an "up-state" New York utility concern, is inaugurating a system of 2,000 additional miles of power distribution lines to electrify 7,000 farms during the current year. Other concerns are doing the same on a smaller scale. All of which raises the question whether the appropriation of \$100,000,000 by the Government to push such enterprises is necessary in view of the fact that up to the middle of March the Agricultural Electrification Administration had been able to expend only about \$450,000 in this fiscal year, administrative expenses and all included.

#### A.A.A. Substitute

The soil-saving substitute for the A.A.A. promises to have considerably more influence upon agriculture than would have been thought possible immediately after the Supreme Court invalidated the essential portions of its predecessor. If

April 1936

**THE** depositor who draws against uncollected funds is a constant irritant and an altogether undesirable customer.

And yet he may be paying an unconscious compliance to a service which, good as it is, does not quite meet his optimistic expectations. For his benefit and for your own protection, are you taking advantage of the best that banking service has to offer?

An account in this Bank will entitle you to a collection service that precludes all avoidable delay in converting out-of-town items into available cash.

... THE ...

## PHILADELPHIA NATIONAL BANK

ORGANIZED 1803

PHILADELPHIA, PA.

Capital and Surplus . . . \$30,000,000

Member of the Federal Deposit Insurance  
Corporation

the plans of the Federal authorities can be carried out, the new program will cost the owners of stock in American corporations approximately \$500,000,000 a year.

On the credit side of the ledger, however, these plans will establish the financial position of the farmers upon a new basis, more or less permanent, which has a direct, practical interest to the banks. It presents the direct issue of whether the commercial banks or Government agencies are hereafter to finance the farmer. Apparently that issue is to be determined very largely by the policies to be followed by the banks.

### The Two Ideas

The economic philosophy upon which the new farm aid program is based differs considerably from that of the A.A.A., although the end sought is the same. Under the A.A.A. the Secretary

of Agriculture was empowered so to control agricultural production as to establish and maintain the prices of farm products at a level which would represent the same ratio between prices received and paid by farmers as existed in the five years immediately preceding the World War.

This system was open to the objection that it did not take into account the volume of production and sales, with the result that although the price of farm products might be high the permitted volume of production might be, and often was, so small as to bring the producer less income than he might receive without Government interference. It also failed to consider all elements of the production cost of farm crops.

The new farm aid program is based upon the idea of total income of the farmer and aims so to subsidize the latter and so to control production and prices

as to reestablish "the ratio between the purchasing power of the net income per person on farms and that of the net income per person not on farms that prevailed during the five year period August, 1909, to July, 1914, inclusive". In other words, parity of farm and non-farm income and not of prices is sought.

Under the operation of the "Soil Conservation and Domestic Allotment Act" farmers are to be given technical and financial help by the Federal Government in adopting sound land-use programs, extending the acreage in soil conserving crops and reducing the acreage in soil depleting crops. Payments to farmers in 1936 and 1937 up to the \$500,000,000 annual limit are to be based upon the proportions of their acreages devoted to these respective varieties of crops and on the proportion of normal production required for domestic consumption.

### Farm Income

According to the calculations of the Department of Agriculture, the average net income per person on American farms in 1935 was \$159 or 94 per cent of the pre-war net income. The retail cost of goods bought by the farmer was 124 per cent of the pre-war cost, with the result that the purchasing power of the farmer's net income was 76 per cent of that of pre-war years. The average net income of non-farmer population in 1935 was \$530 per person or 132 per cent of the pre-war level and the average cost of goods bought was 142.5 per cent, the result being that the net purchasing power of persons not on farms was 93 per cent of the pre-war level.

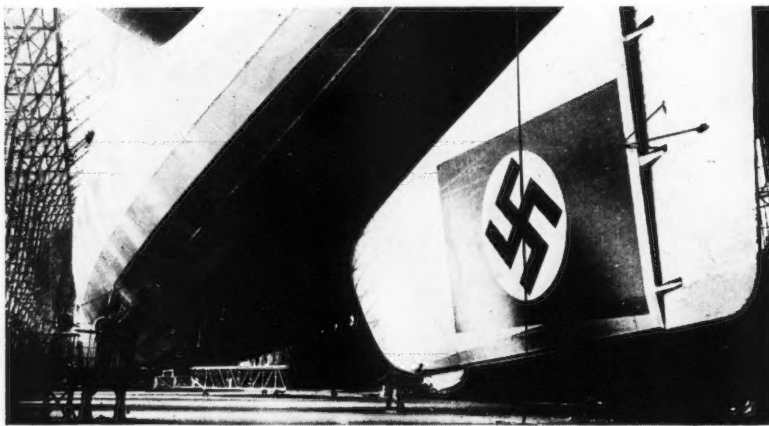
To equalize the ratio in accord with the provisions of the soil conservation law, farm income must thus be increased by about 22 per cent, and since the estimated net income of the farmer in 1935 was \$5,214,000,000 this means an increase of approximately \$1,100,000,000 for the current year.

Since the Federal Government will furnish, according to present estimates, approximately \$480,000,000 in bounties, which is about \$100,000,000 less than the \$583,000,000 paid out under the A.A.A. program last year, substantially \$1,200,000,000 new income must be secured by the manipulation of crops, the improvement of farm prices and farm income by natural changes, or by a combination of both.

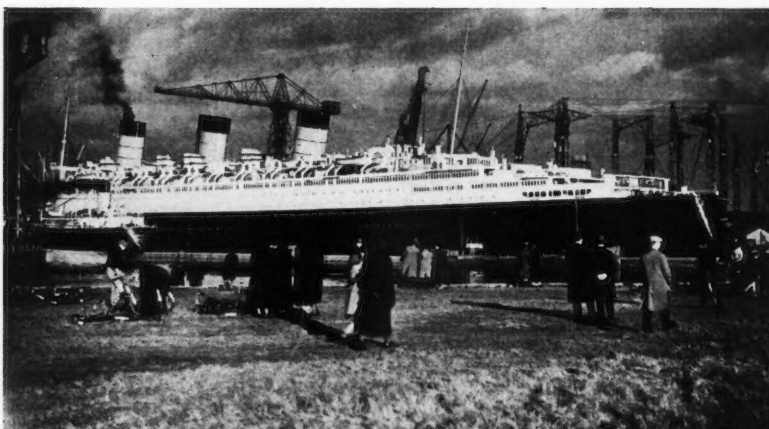
How much natural forces may be expected to accomplish toward effecting the farm income adjustment now proposed depends upon many factors, but on the whole the outlook is rather encouraging.

### TRANSATLANTIC

In a month notable for its international misunderstandings, considerable progress was made with two projects that will further link Europe and the Americas. Below, the giant dirigible *Hindenburg*, which will soon begin regular runs from Frankfurt to Lakehurst, New Jersey, and the *Queen Mary*, which is in the final stages of preparation before she begins her Southampton-New York trips



WIDE WORLD



GLOBE



*Automatically this machine provides detailed, tabulated reports from punched cards*

## Prove your operations ON TIME *with punched card accounting*

Consider these three outstanding advantages which the International Electric Accounting Method offers:

### 1. SPEED—

*Faster accumulation of facts due to automatic machine operation.*

### 2. CONTROL—

*Up-to-the-minute FACTS from every department.*

### 3. SIMPLICITY—

*The punched cards automatically operate the machines by means of electrical contacts established through the holes.*

Bank executives interested in speeding up general bank operations should investigate the International Electric Accounting Method. Here is a highly mechanized procedure which will enable your operations to be completed and proved on time.

With the Electric Accounting Method, pertinent facts are quickly registered in tabulating cards in the form of punched holes. This is accomplished at a speed which outrivals the fastest typing. From this permanent record, reports are produced automatically by International Electric Bookkeeping and Accounting Machines. The Alphabetic Machine shown above, for example, will accumulate and print the detailed information contained in punched cards at the rate of 150 cards per minute.

This modern accounting method provides up-to-the-minute information which in turn means closer control of the various departments of your business. Operating results, heretofore not economically possible, are yours today with minimum effort and at gratifyingly low cost.

The International Electric Accounting Method is bringing speed and closer executive control to banks, trust companies and to thousands of businesses in all parts of the world. Let us demonstrate how this modern accounting method can aid you. Your nearest IBM branch office stands ready to cooperate with you at any time. Get in touch with them today. No obligation.

# INTERNATIONAL BUSINESS MACHINES CORPORATION

General Offices

270 Broadway, New York, N. Y.



Branch Offices

in Principal Cities of the World

# NEW YORK LIFE INSURANCE COMPANY

## Board of Directors

An active Board of Directors manages the New York Life Insurance Company. Each Director serves on at least one of five general Committees, which meet regularly to consider every phase of the Company's business. Two of these Committees meet as often as twice a week.

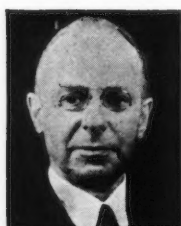
Through their work on Committees, as well as at the regular monthly meetings of the Board, the Directors keep in close touch with



THOMAS A. BUCKNER  
President

the personnel and conduct of the Company. Directors receive no salaries, their only compensation being modest fees for attending meetings.

Outstanding leaders in widely diversified fields of activity, the Members of the Board gladly contribute their time, experience and advice in the service of the policyholders of this mutual company.



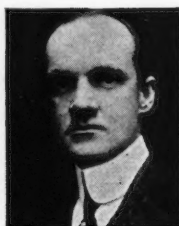
JAMES ROWLAND ANGELL  
President, Yale University



NATHANIEL F. AYER  
Treasurer, Cabot Manufacturing Company (Textiles)



ARTHUR A. BALLANTINE  
Lawyer, Root, Clark, Buckner & Ballantine



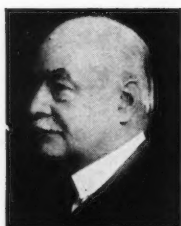
CORNELIUS N. BLISS  
Member of Board, Bliss, Fabian & Co.



HENRY BRUÈRE  
President, Bowery Savings Bank



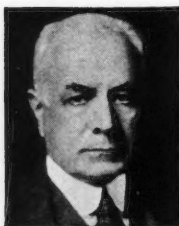
MORTIMER N. BUCKNER  
Chairman of Board, New York Trust Co.



NICHOLAS MURRAY BUTLER  
President, Columbia University



CHARLES A. CANNON  
President, Cannon Mills Co.



GEORGE B. CORTELYOU  
Former Secretary of the Treasury of the United States



WILLIAM H. DANFORTH  
Chairman of Board, Ralston-Purina Co.



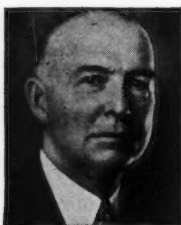
ROBERT E. DOWLING  
President, City Investing Co.



JAMES G. HARBORD  
Chairman of Board, Radio Corporation of America



CHARLES D. HILLES  
Resident Manager, New York State, Employers' Liability Assurance Corp.



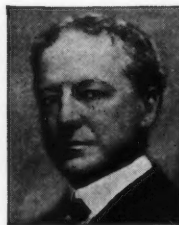
HALE HOLDEN  
Chairman, Southern Pacific Company



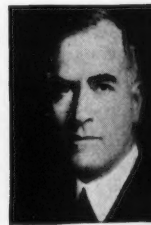
HERBERT HOOVER  
Former President of the United States



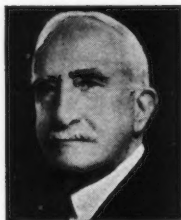
PERCY H. JOHNSTON  
Chairman of Board, Chemical Bank & Trust Co.



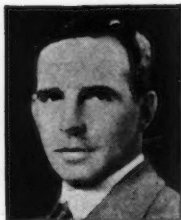
WILLARD V. KING  
Retired



GERRISH H. MILLIKEN  
President, Deering, Milliken & Company



FRANK PRESBREY  
Chairman of Board, Frank Presbrey Co., Advertising



EDWARD L. RYERSON, Jr.  
Vice-Chairman, Inland Steel Company



ALFRED E. SMITH  
Former Governor of the State of New York



J. BARSTOW SMULL  
Vice-President, J. H. Winchester & Co., Inc.



PERCY S. STRAUS  
President, R. H. Macy & Co., Inc.



RIDLEY WATTS  
Director, Chemical Bank & Trust Co.

# NEW YORK LIFE INSURANCE COMPANY

## 91<sup>st</sup> Annual Statement

DECEMBER 31, 1935

A MUTUAL COMPANY  
FOUNDED IN 1845

INCORPORATED UNDER THE LAWS  
OF THE STATE OF NEW YORK



### To the Policyholders and the Public:—

During the year 1935 the New York Life Insurance Company paid or credited \$141,602,272 to living policyholders and \$67,991,240 to the beneficiaries of those who died. These huge disbursements reflect the great social service rendered by this mutual Company through the cooperative effort of its policyholders.

The Company's assets were \$2,243,587,752 at the close of 1935, an increase of \$134,082,528 over the previous year. Bonds eligible for amortization are carried at their amortized value determined in accordance with the laws of the State of New York. All other bonds, including bonds in default, and all stocks (guaranteed and preferred), are carried at market value as of December 31, 1935. The following table shows the diversification of the Company's assets at the end of 1935.

|   | Assets<br>Dec. 31, 1935   | Per Cent of<br>each item to<br>Total Assets |
|---|---------------------------|---|
| Cash on Hand or in Bank.....  | \$57,207,273.47           | 2.55  |
| United States Government, direct,<br>or fully guaranteed Bonds..... | 321,276,844.71            | 14.32                                       |
| State, County and Municipal Bonds.....                              | 218,461,034.63            | 9.74  |
| Railroad Bonds.....   | 326,116,485.74            | 14.54                                       |
| Public Utility Bonds.....   | 165,657,871.33            | 7.38  |
| Industrial and Other Bonds.....                                     | 25,607,657.58             | 1.14  |
| Canadian Bonds.....   | 53,235,381.24             | 2.37  |
| Foreign Bonds.....  | 1,500,627.37              | .07   |
| Preferred and Guaranteed Stocks.....                                | 80,880,743.00             | 3.60  |
| Real Estate Owned (Including Home Office).....                      | 115,335,505.83            | 5.14  |
| Foreclosed Real Estate Subject to Redemption.....                   | 4,106,665.78              | .18   |
| First Mortgages on City Properties.....                             | 425,058,944.91            | 18.95                                       |
| First Mortgages on Farms.....                                       | 9,493,652.22              | .42   |
| Policy Loans.....   | 379,961,059.47            | 16.93                                       |
| Interest & Rents Due & Accrued.....                                 | 29,544,227.37             | 1.32  |
| Net Amount of Uncollected and<br>Deferred Premiums.....             | 29,997,474.44             | 1.34  |
| Other Assets.....   | 146,303.28                | .01   |
| <b>TOTAL ASSETS.....</b>  | <b>\$2,243,587,752.37</b> | <b>100%</b>                                 |

Securities amounting to \$35,712,134.15 included above are deposited as required by law

The liabilities, including policy reserves calculated on the most conservative basis used by American life insurance companies, were \$2,126,880,881 on December 31, 1935. A Special Investment Reserve of \$40,000,000 not required by law, and reserves of \$40,073,472 for dividends payable to policyholders in 1936 are included in the liabilities.

Surplus funds reserved for general contingencies amounted to \$116,706,871.

Mortality was favorably low. Expenses were slightly higher, due chiefly to increased taxation.

The interest yield on securities obtainable in 1935 of the high quality and type demanded by the Company for the investment of its policyholders' funds declined throughout the year. In view of the general financial situation and in adherence to the Company's principle that safety is the first requisite in life insurance and must always be the first consideration, the Company deemed it prudent to strengthen its reserves.

At the close of 1935 the Company had 2,672,636 policies in force giving insurance protection of more than \$6,620,800,000 to homes, families and business interests. The amount of new insurance issued by the Company during the year was \$466,356,000. In addition, men and women paid \$40,428,582 to the Company for annuities to provide a guaranteed life income.

During its history of 91 years, throughout every financial and economic crisis, the New York Life has met every obligation it assumed. Today, as in the past, it is sound and safe. Policyholders may be assured as to their wisdom in making provision for their dependents in event of death and for themselves in old age through their insurance in this Company.

A more complete report listing the securities owned by the Company, as well as detailed information on any of our policy contracts, will gladly be sent upon request to the Company's Home Office, 51 Madison Avenue, New York, or to any of its Branch Offices throughout the United States and Canada.

*Thos. A. Guernsey*  
President

**U. S. Government Securities**

**Home Owners' Loan Corporation Bonds  
Federal Farm Mortgage Corporation Bonds  
Federal Intermediate Credit Bank Debentures**

**Federal Land Bank Bonds**

**Municipal Bonds and Notes**

**Bank and Bankers' Acceptances**

**Railroad Bonds**

**Equipment Trust Certificates  
Public Utility and Industrial Bonds**

**Canadian Government, Provincial  
and Municipal Bonds**

**Foreign Government Securities**

DISCOUNT HOUSE  
OF

**SALOMON BROS. & HUTZLER**

Members of the New York Stock Exchange  
SIXTY WALL STREET  
NEW YORK

Boston Philadelphia Chicago Cleveland Minneapolis

# *Investments for Trust Funds*

The business of this firm consists primarily of supplying institutions with a comprehensive investment service in seasoned securities of the type legal for trust funds.

Our long familiarity with the legal investment field, and our extensive Analytical Department equip us to render a valuable service to trust Investment Officers in connection with the purchase and sale of securities in either listed or unlisted markets.

In the conduct of our business we endeavor to maintain toward our customers the same fiduciary attitude that characterizes the relationship of a trust company to its own clients.

*Inquiries invited*

**Dick & Merle-Smith**

*Members New York Stock Exchange*

30 Pine Street  
New York

30 State Street  
Boston

*Continuing the security business of ROOSEVELT & SON founded 1797*

# **Over-the-Counter Securities**

By specializing over a long period in "over-the-counter" securities, we have accumulated detailed information on many hundreds of stock and bond issues not listed on any of the registered stock exchanges. We are therefore able to supply an immediate quotation, under normal conditions, to buy or sell practically any unlisted security of value.

**WM. J. MERICKA & CO.**

INCORPORATED

Union Trust Building  
CLEVELAND

One Wall Street  
NEW YORK

135 S. LaSalle Street  
CHICAGO

# **INVESTMENT ADVICE**

An increasing number of banks are learning the dependability of the Francis I. du Pont & Co. Investment Advisory Service in furnishing them with constructive advice on their investments.

*Inquiry Invited*

**FRANCIS I. DU PONT & CO.**

*Investment Advisory Department*

One Wall Street  
New York

Wilmington Philadelphia  
*Members New York Stock Exchange*



# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

APRIL 1936

## The Builder's Banker

|   |  |  |   |  |   |  |
|---|--|--|---|--|---|--|
| <b>Plot 66 x 100</b><br><b>Cash . . . \$500</b><br><b>Balance . . \$750</b><br><b>on Taking Title</b> | <b>Ab. Eng. stud. ed. roo. por. two 567.</b><br><b>Thre. mas. roo. m. kitch.</b> | <b>SEVEN</b> rooms, patio and garage attached, one story, Spanish tile roof. Palatial studio living room, with sun streaming in from all sides. Circular fireplace in far corner. Two steps up is the spacious | <b>Distinctive</b> homes are not necessarily the most expensive, to create them, thought and individuality are the most essential features, both are embodied in this unique stucco home of the <b>ITALIAN VILLA</b> type. In one of the finest sections of South Orange, convenient to Jacksonville and Newark (trolley); the plot, <b>66x100</b> , gives ample room for motor facilities. Is well supplied with beautiful shade trees. 1st floor: handsome living room, with <b>faen</b> stone fireplace paneled with chestnut to ceiling; dining room paneled solid 4 ft. high, <b>sciarium</b> , with disappearing wash, <b>pergola</b> porch, good sized butler's pantry, lavatory, thoroughly modern oil-gas kitchen. 2d floor: 4 dainty bedrooms, sleeping porch, extra lavatory. 3d floor one finished room, bath and open attic. Price | <b>Peiham 130</b><br><b>AT</b> 14-room complete furnished tables at dining wait<br><b>W</b> no ad. pond. lot EVERY | <b>10.</b> All are inspected and insured by Federal Housing Administration.<br><b>AIR</b> CONDITIONING, oil burners with aquastatic control for hot water supply, breakfast alcove, extra luxuriously appointed bathrooms, brass plumbing, modern-science kitchen with extra cabinet space; exterior walls insulated. Prices from \$7,990 to \$14,500. Payments as low as \$60 monthly over 20-year period on regular F. H. A. terms.<br>Model Homes at above addresses open for inspection daily and Sunday or visit our office for further information. | <b>BE s anc' roo kil. wo sca mo fin Ku</b> |
|   |  |  |   |  |   |  |

1916

1929

1936

During the life of an amortized mortgage—10, 15, 20 years—fundamental changes in style, locality and price must be anticipated

It would be unfair to ascribe to the banks of the country all the credit for the current revival in home building, but it would be quite as unfair not to give to them full credit for a major part in the revival.

Residential construction in 1935, as reported for 37 eastern states by the F. W. Dodge Corporation, was valued at \$478,843,100 as compared with the low of \$248,840,100 in 1934. It is more than a coincidence that it was in that year that the banks devoted themselves to an increasing degree and with increasing success to home improvement, of which the repair and modernization of homes through loans placed in cooperation with the Federal Housing Administration have been only a part. The growth of home construction in recent months has been one of the chief features of business recovery. In the last seven months of 1935 the average monthly increase in residential construction over the same period of 1934 was 207 per cent. During this seven-month period 31 per cent of the new one- and two-family residential construction in the entire country was in mortgages insured under the Housing Act, and of the latter commercial banks and trust companies furnished 69.7 per

cent. Of the total of \$170,594,864 of mortgages accepted for insurance by the Housing Administration these banks furnished 71.3 per cent. Of the \$254,070,729 of home modernization and repair loans insured by the F. H. A., banks furnished \$173,252,554, or 68.2 per cent, their only near rival in this field being finance companies organized by suppliers of material and equipment for the purpose.

What has been of less general knowledge but of fully as much importance has been the influence the banks have exerted toward raising the standard of home construction, not only with respect to the quality of materials and workmanship but also the sociological and public welfare aspects of the matter—bettering of community life and living conditions. It is not without significance that the chairmanships of the local committees which have been pushing the home modernization and repair campaign have, in a majority of cases, been held by bankers who have acted in such matters less to push their own business than to serve the community as a matter of public spirit.

Unselfishness enters into the matter, but it is quite apparent that better home construction, both as to materials

and workmanship, offers a better security for a home mortgage loan than work done poorly with inferior materials. Improving living conditions by improving homes in a community improves property values to the same end. A higher living standard in a community improves community morale, works to a better standard of citizenship, to a more contented people and thus to more stable property as well as social conditions. It is in line with the experience of practical men in all ages that "in long time investment the qualities which produce a satisfactory social condition also tend to assure economic soundness." A public spirited man or institution can work unselfishly and at the same time serve his own interests as he serves the community at large.

With a view to ascertaining the present position of banks with respect to home building, the efforts bankers are making to improve residential construction standards, and the bearing present banking facilities and methods have upon the home mortgage credit situation, BANKING has completed a survey made through the bank clearinghouse associations of the several states. The results are here presented.

The survey was directed particularly

## Steps in Considering an Application for a Home Building or Repair Loan

CLEAR title to the property or status exactly determined;

Fully established credit standing of the applicant, the contractor or builder and, if in any way involved, the previous owner of the property;

Home suitable to the applicant and well within his financial capacity, and so located with respect to community growth as to promise no material loss in value by deterioration of surroundings;

Plans and specifications drafted by a competent architect of good reputation or by a builder of recognized probity and experience;

Plans calling for substantial construction with good materials at a reasonable price with fair profit to the builder and conforming in every respect to local laws and building regulations;

Contractor or builder experienced in home construction under current local conditions and local laws, and properly equipped for the work, and with a good reputation for work done;

Actual construction carried on in a season not likely to lead to damage from the elements and work pushed rapidly to completion;

Building suitable to the neighborhood and of a design popularly acceptable in case of the necessity of rental or resale;

Construction under the constant supervision and inspection of the architect or some competent, disinterested practical builder, and all contractual requirements checked before final acceptance;

Sufficient insurance carried pending construction as well as during the life of the mortgage.

toward ascertaining how general has been the action of bankers as a group or individually in efforts to secure a higher type of home building in their respective communities, what efforts are being made to combat jerry-building and other inferior work where there is occasion to do so, what part cooperation in establishing the bases of credit for home construction is playing, to what extent banks are adapting themselves to new methods of home financing by amortization systems, and to what extent bankers lack adequate facilities for ascertaining trends of population, industries, building conditions and other data necessary to make home loans intelligently and with fairness both to borrower and lender.

The situation in the various parts of the country as disclosed by this survey presents the wide variation which was to have been expected in view of the widely differing conditions to be met with. As nearly as any general conclusion can be

formed, it seems that the most active efforts toward better conditions are being made in some of the southern and western states, as a revolt from poverty and pioneer conditions, while in some of the eastern and northern states the revolt is against the cheap construction in unsightly suburbs and low grade housing in outlying districts. Averages are dominated largely by medium sized communities in which there is less meeting of extremes. In some of the eastern, northern and older states, where conditions also have been bad largely because of the predominance of industrial centers, the least effort toward improvement is being made.

### IMPROVED STANDARDS

PENNSYLVANIA, for example, reports little effort toward improvement, only 21 per cent of the clearinghouses reporting active effort to improve standards. On the other hand, in Arizona, Louisiana, New Mexico, Oregon, West

Virginia and Tennessee all reports showed an aggressive spirit in the matter. Vermont, Maryland and Florida reported no special effort whatever. Other states reporting included Alabama, 80 per cent active; Arkansas, 37.5 per cent active; California, 72 per cent; Connecticut, 75 per cent; Georgia, 62.5 per cent; Illinois, 37.5 per cent; Indiana, 50 per cent; Iowa, 33 per cent; Kansas, 44.5 per cent; Maine, 50 per cent; Michigan, 85.7 per cent; Massachusetts, 44.5 per cent; Minnesota, 55.5 per cent; Mississippi and Missouri, 66.7 per cent; Montana, 50 per cent; Nebraska, 33.3 per cent; New Hampshire, 60 per cent; New Jersey, 80 per cent; New York, 39 per cent; North Carolina, 62.5 per cent; North Dakota, 66.7 per cent; Ohio, 73.3 per cent; Oklahoma, 28.6 per cent; South Dakota, 66.7 per cent; Texas, 44.5 per cent; Utah, 60 per cent; Virginia, 27.5 per cent; Colorado and Washington, 27.5 per cent; Wyoming, 50 per cent; Wisconsin, 88.8 per cent. The average of all the clearinghouses was 54.5 per cent active in improving standards, as against 45.5 per cent inactive.

### JERRY-BUILDING

PROPORTIONATE activity against jerry-building in all the states was 42.6 as against 57.4 per cent, but one reason at least for this proportion appears in the fact that in a majority of the communities no action has been taken in this line because there has been no occasion for it. A majority of the communities reporting are rural, where speculative building has been held to a minimum. Many of the communities in which active efforts toward the improvement of standards are being made reported "no" in the matter of jerry-building, under the impression that efforts in this line were covered by their general movement toward improved standards.

All clearinghouses in Arizona, New Mexico and West Virginia reported active work against this sort of construction. Florida, Oregon, Vermont and South Carolina reported no effort. In Alabama the proportion reporting active effort was 20 per cent; in Arkansas, 12.5 per cent; in California, 62 per cent; Connecticut and Georgia, 25 per cent; Iowa, 16.6 per cent; Illinois, 20 per cent; Louisiana and North Dakota, 33.3 per cent; Virginia, 27.5 per cent; Missouri, 50 per cent; Massachusetts, 44.5 per cent; Indiana, 62.5 per cent; Maine and Colorado, 50 per cent; Ohio, 66.7 per cent; Michigan, 57.2 per cent; Minnesota, 55.5 per cent; Mississippi,

## Banks in the F.H.A. Program

**S**TANDARDIZATION of mortgage lending practices under the National Housing Act, and a wider trend toward higher property standards as a consequence, are two of the more important developments of the Federal Housing Administration program. To a large extent the Administration's effort to promote these and other noteworthy projects affecting lending and real estate has been possible only through the cooperation of banking institutions.

The successful operation of the Housing Act depends on private initiative to a great degree. More and better homes for the American people under the provisions of the Housing Act can come only as banks and other financial institutions continue to give this cooperation.

Thus, apart from all else, the banks actually are performing a notable public service in making mortgage money available to home owners in greater abundance than at any time in recent years.

The increasing preference for insured single mortgages as investments writes a new chapter in the business of commercial banks. Until recently such long term paper as 20-year mortgages was not considered particularly advisable for commercial banks. This surely is not so today, because the insured mortgage is security of far greater liquidity than the old type mortgage instrument. Our recently issued annual report shows that 41 per cent of insured mortgages were handled by national banks and 27 per cent by state banks. Thus a vast majority—67 per cent—are in the portfolios of commercial banks. The Federal Housing Administration has approved 7,872 financial institutions under Title I, of which 6,228 are active. Under Title II it has approved as mortgagees 8,313, of which 3,903 are active.

—Statement to **BANKING** by

STEWART McDONALD, F.H.A. Administrator

67 per cent; Utah, 60 per cent; Nebraska, 16.6 per cent; New Hampshire, 40 per cent; New Jersey, 60 per cent; Oklahoma, 14.3 per cent; Pennsylvania, 26 per cent; South Dakota, 55.5 per cent; Tennessee, 66.7 per cent; Texas, 9 per cent; Wisconsin, 67 per cent; Washington, 50 per cent.

### MORTGAGE CREDIT DATA

IN a majority of the reporting communities the banks do not have any arrangement for the exchange of mortgage credit information, the proportion being 51.9 per cent to 48.1 per cent, but in this respect also the influence of rural communities is indicated. In South Carolina and West Virginia all clearinghouses reported an arrangement for exchanging information. In Arizona, Vermont, Maryland and Wyoming there were no arrangements. In Colorado, Florida, Montana, New Mexico, Illinois, Iowa and Washington half of the communities were cooperating. In Connecticut and Louisiana two-thirds had an arrangement. In Missouri 83 per cent had arrangements; in Kansas, Nebraska, North Dakota, 33.3 per cent reported an arrangement. The proportions in other states were: Alabama, 40 per cent; Arkansas, 20 per cent; California, 52 per cent; Mississippi, 16.6 per cent; Minnesota, 55.5 per cent; Virginia, 63.5 per cent; Georgia, 87.5 per cent; Indiana, 75 per cent; Iowa, 60 per cent; Michigan, 57.2 per cent; New Hampshire, 80 per cent; New Jersey, 60 per cent; New York, 39 per cent; North Carolina, 37.5 per cent; Ohio, 60.4 per cent; Oklahoma, 14.3 per cent; South Dakota, 44.5 per cent; Tennessee and Texas, 33.3 per cent; Utah, 40 per cent; Wisconsin, 66.6 per cent.

### AMORTIZED LOANS

OVER three-fourths of all the reporting clearinghouses stated that banks are now making amortized home loans, the actual proportion being 76 per cent. In a number of the states, however, the proportion was comparatively small because of state laws affecting the operations of state banks in such lines. All the clearinghouses in Arizona, Florida, Utah, Iowa, Vermont, Michigan, Missouri, New Hampshire, New Mexico, North Dakota, Oregon, West Virginia, Tennessee, Wisconsin, Wyoming and South Carolina and all but one in California, Indiana, Massachusetts, Minnesota and Ohio reported such loans. In Alabama the proportion was 40 per cent; in Connecticut, Pennsylvania and Washington two-thirds of

the organizations reported such loans; in Maine, 50 per cent; New Jersey, 66.6 per cent; in South Dakota the proportion was 55.5 per cent; in Arizona, 62.5 per cent; Illinois, 87.5 per cent; Louisiana, 33 per cent; Maryland, Montana, and Nebraska, 50 per cent; Minnesota, 88.8 per cent; Mississippi, 33 per cent; New York, 83.3 per cent; North Carolina, 55.5 per cent; Oklahoma, 14.3 per cent; Texas, 36.4 per cent, and Virginia, 73 per cent.

### DATA ON TRENDS

OVER half of the reporting clearinghouses also were of the opinion that the banks had access to adequate information as to population trends, vacancies, appraisals and other information necessary to make real estate loans intelligently. The proportion of the organizations replying favorably was 58.5 per cent. All the clearinghouses in Alabama, Arizona, Missouri, New Mexico, Oregon, Vermont, Wyoming and West Virginia reported satisfactory facilities.

Connecticut and South Carolina were the only states reporting wholly unsatisfactory facilities.

The proportions of the clearinghouses reporting more or less satisfactory facilities were: Arkansas, 25 per cent; California, 83 per cent; Florida, 50 per cent; Georgia, 75 per cent; Illinois, 37.5 per cent; Indiana, 37.5 per cent; Iowa, 60 per cent; Kansas, 55.5 per cent; Louisiana, 25 per cent; Maine, 25 per cent; Maryland, 50 per cent; Massachusetts, 33 per cent; Michigan, 71 per cent; Minnesota, 66.7 per cent; Mississippi, 16.6 per cent; Nebraska, 16.6 per cent; New Jersey, 80 per cent; New Hampshire, 60 per cent; New York, 61 per cent; North Carolina, 62.5 per cent; North Dakota, 33.3 per cent; Ohio, 60 per cent; Oklahoma, 28.6 per cent; Pennsylvania, 52.5 per cent; South Dakota, 55.5 per cent; Tennessee, 66.7 per cent; Texas, 25 per cent; Utah, 40 per cent; Virginia, 55.5 per cent; Washington, 50 per cent; Wisconsin, 89.

It is evident from the replies to the



Gary, Indiana, in 1906



Gary, Indiana, about 1930

#### FROM TALL GRASS TO BUILDINGS

Then there is the opposite change, constantly taking place, from new, modern, marketable neighborhoods to those that are old-fashioned, badly soiled and completely dejected

questionnaire that the matter of jerry-building is one which is of sporadic though often great importance. As above indicated, a majority of the replies indicate that bankers have taken no aggressive action against this sort of construction for the simple reason that it happens to be comparatively unknown or at least rare in their respective communities. On the other hand, the Federal Housing Administration reports that there has been a recrudescence of cheap and hasty construction in various parts of the country. It has issued a formal warning to prospective home builders and their financial supporters to be on their guard against the bait of low bids for home construction under conditions which may make possible the use of inferior material, green lumber, poor paint, faulty foundations, poorly designed houses and other traps for the unwary.

The F.H.A. calls attention to the fact that much of the property thrown back

on the mortgagees during the depression has been homes so improperly and shoddily built that they are not now worth the face of the mortgage. Hundreds of thousands of home owners are still paying for property not worth its cost to them because of faulty, hasty or otherwise improper construction. In hundreds of communities banks themselves have suffered heavy losses in being compelled to take over property so badly constructed in the first place as not now to be worth the face of the mortgage it carried, and that, too, in spite of considerable amortization.

In estimating the value of what the

bankers of the country are accomplishing and are seeking to accomplish in efforts toward better housing and better living conditions, it must be considered that a little more than a year ago they started practically from nothing. The fact that in the space of less than two years more than half of the reporting clearinghouse organizations, representing a cross section of the banking business, have set themselves to a definite effort along this line points to better conditions in the home building field and eventually to better homes. It is an effort of good business and good citizenship.

Clearinghouses representing about 3,500 banks answered BANKING'S five questions at the right. A picture of the answers, as described in this article, may be gained from the five small bar charts

1. Minimum Standards. Are the banks in your community, collectively or individually, taking an active part in the improvement of building standards? ☐ YES ☒ NO
2. Jerry Building. Is there any effort at cooperation between financial institutions on the one hand and architects, builders and material dealers, on the other, to prevent the return of speculation and jerry building? ☐ YES ☒ NO
3. Credit Data. Do the banks have any provision for the exchange of mortgage credit information? ☐ YES ☒ NO
4. Amortized Mortgages. Are any banks in your community offering an amortized mortgage plan? ☐ YES ☒ NO
5. Sound Information. Do the banks have access to adequate information on population trends, vacancies, appraisals, delinquencies, and other points that may have an important bearing on the soundness of mortgages? ☐ YES ☒ NO

# Reconstructive Public Relations

MUCH is heard today of banks and their public relations. Here is an account of what one reorganized institution has actually done to strengthen its position with the public under conditions that have, conservatively speaking, been trying. The experience here related is typical of what numerous other banks have accomplished in living down public criticism by living up to the highest principles of the banking profession.

Names are irrelevant. Suffice it to say that the bank is located in a small town and that its problems since the crisis of 1933 have differed only in size and detail from those of other banks which were reorganized after the famous holiday. This institution's methods of meeting its own particular problems may not be unusual, but they have been successful; furthermore, they have had a rather definite evolution.

The president recently remarked that he supposed he had started with no definite customer relations program in mind. He had proceeded on the theory that since the basis of banking is people, it is essential for the banker to have an absolutely sincere interest in them and their affairs. He should be able to put himself in their position, and to regard their problems as his own. Banking operations, this executive declared, must be clarified in the people's mind, the services and their limitations explained in every-day English. It must also be made a personal business, and sufficiently flexible to permit the adaptation of theory to each individual case. Its decisions should be fair and reasonable, and when a customer leaves a bank he should go away with the feeling that everything within reason has been done for him.

The president remarked that, strange as it may seem, there are sometimes customers who promise too much. Here is an actual occurrence:

Not long ago a young dentist and his wife asked for a loan. They wanted to make the down payment on a house, and were short of cash because the husband had just bought an expensive X-ray machine. They didn't like to borrow, but thought they should take advantage of an opportunity. They

would repay as soon as possible, suggesting a rate of \$100 a month, which was \$35 more than the amount they were then paying for rent.

The banker looked at their financial statement. It was excellent. But, he said—much to the astonishment of the cashier who was present at the interview—their plan for reducing the proposed loan seemed a bit ambitious. How could they be sure of refunding more than \$65 a month? They had had no experience with real estate, and would probably be surprised at the unexpected expenses. If they made the suggested arrangement, possibly they would be back in a few months for a readjustment, and that would be embarrassing to both parties. Wouldn't it be better to take things a little easier from the start? The couple agreed and the credit was granted on the basis of reducing the loan \$65 monthly.

This is a simple illustration of cus-

**"Relations with the local newspapers were strengthened, and at present are most cordial. The reporters know that the bank has news and that, so far as possible, it will not be kept from them. They receive information about staff changes, department plans, and sundry community activities in which the bank is interested."**



tomers relations at work, but it well exemplifies how one bank is making friends—and keeping them. Many other situations have been more difficult to handle, yet the approach is always personal. Every effort is made by the president to stamp out the idea of being "smart", that is, of taking advantage of a customer in any transaction. When a loan is made or a mortgage drawn the principle adhered to in this institution is to explain in detail the transaction under consideration before any signatures are affixed. It is the bank's opinion that nothing hurts banking institutions more than the feeling of customers that through withholding essential information, through misrepresentation, or the use of technical language they have been deluded. A bank, this executive believes, is a semi-public concern and never should act in any other attitude than that of a responsible public servant.

Several months were spent in laying the foundation of this reorganized bank's claim to the confidence of its public. When the new management took charge the capital needed replenishment, the bond and loan portfolios were in sad disrepair, and people were sharply critical. The incoming president, after effecting a recapitalization, went to work on the investments and the loans. Experts—a half dozen of them, acting independently—analyzed the bank's bonds and made recommendations. Gradually, over a period of months, poor issues were weeded out and better securities substituted. The rising market helped bountifully, and profits obtained from sales were applied to surplus.

The loan account presented more difficult problems. On the books were many credits which, to put it mildly, had to be classified as slow. However, times, though bad, were getting better and it seemed as though some of the loans could be reduced. Here was an opportunity for customer relations skill, and the president applied it. He had personal interviews with many of the borrowers, explained to them the bank's position, sympathized with their own, and suggested that by making small repayments, even as small as \$5 a month, they would be helping themselves and the bank. (CONTINUED ON PAGE 63)

# Forecasting Investment Weather

**T**HIRTY-SEVEN years ago—in the Summer of 1899—J. W. Alexander, vice-president of the Equitable Life Assurance Society, found himself, as a responsible officer of this great investment company, faced with a perplexing problem. For six years, almost without interruption, bond prices had been rising steadily until they had reached totally unprecedented levels. Railroad bonds such as those of Lake Shore & Michigan Southern, or New York Central, which carried coupons of only  $3\frac{1}{2}$  per cent, were selling at premiums which reduced their actual yield to not much more than an even 3 per cent. How long could this condition be expected to continue? Or was the country, perhaps, now definitely on a permanent basis of low interest rates? Unable satisfactorily to answer this question for himself, Mr. Alexander chose what was perhaps as wise a course as any that ingenuity could produce. He sent out a brief query to a carefully compiled list of the leading financial experts of the country in an effort to get their views.

"We should be greatly obliged to you," was the request conveyed by this message, "if you would be good enough to let us know what rate of interest you consider safe for a life insurance company to count upon realizing on its total assets, invested in such securities and mortgages as an institution of this kind should hold, during the next twenty years."

The responses to this query emphasize strikingly the fallibility of even the

best of human judgment in such matters. The president of the First National Bank of Chicago felt that "if your company realizes  $3\frac{1}{2}$  per cent on its investments during the next twenty years it will be doing well". J. H. Schiff, a great railroad banker, thought that it was "entirely safe to predict . . . 3 per cent interest as the basis for your company's business". August Belmont "gave the matter very careful consideration" and reached the conclusion that an expectancy of over 3 per cent as an average yield would be less than conservative. Nor was the then Secretary of the Treasury any less thoroughly impressed with the idea that the country was facing a protracted period of declining interest rates. "It would be hazardous," wrote Mr. Gage, "to estimate a rate higher than 3 per cent."

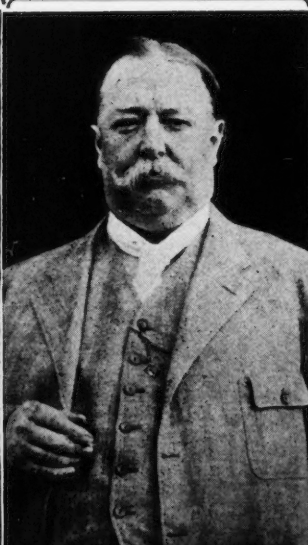
Now, it should be borne in mind that when these gentlemen predicted average interest rates of 3 to  $3\frac{1}{2}$  per cent they were not talking of such high grade obligations as the best railroad bonds or municipals. That would have meant that they simply looked for a continuance of the then prevailing investment yields. They were writing specifically of insurance company portfolios, and the latter are not confined strictly to this type of security. Such portfolios include, for example, real estate mortgages and policy loans, on which rates of interest change little through the years. In 1899, for example, whereas high grade rails and municipals were yielding only about 3.10 per cent, the average investment return of life-insur-

ance companies was 4.87 per cent. It is obvious, therefore, that the general idea of financial authorities contemplated a steady rise in bond prices, which in the following 20 years would have meant, presumably, rates nearer 2 per cent than 3 per cent on gilt-edged securities.

Curiously enough, almost at the time that the above-mentioned episode was taking place, a turning movement was beginning in interest rates which was to carry bond prices, not higher, but steadily lower, in the ensuing 20 years. At the end of that period yields on municipal bonds had risen from their minimum of 3.10 per cent to 5.25 per cent. In its latter stages this metamorphosis was due to the World War; but even as early as 1913, yields had risen to between 4.40 and 4.50 per cent—a far cry from the 2 per cent or thereabout that had been envisioned a little more than a decade before.

The passage of a generation finds us facing once more a price problem in investments that is, outwardly at least, precisely that which faced investors 37 years ago. In the long interval since 1900 the World War has driven high grade investment yields as high as 5.25 per cent; they have recovered from that era of commodity price inflation to range for about a decade sometimes a little above and sometimes a little below the 4 per cent level; and they have been driven, during the banking collapse of 1932 and 1933, almost within striking distance of the 6 per cent mark. But with the end of 1933 they entered upon a rising movement which is with-

HARRIS & EWING. WIDE WORLD. KEYSTONE. U. & U. INTERNATIONAL



By EDWARD H. COLLINS

Moreover, there are many here as well as in London who are prepared to go, if not the whole distance, at least part of the way with Mr. Keynes.

It would, of course, simplify the investment problem enormously if one could judge future events by the past. As a matter of fact, there is at the moment perhaps too great a tendency to do that. There is an unhealthy tendency to point to the similarity between the situation that existed a generation ago and that which we find today, and to conclude that the present high bond prices "won't last". It is quite probable, of course, notwithstanding Mr. Keynes, that what are referred to as the present "abnormal" interest rates won't continue forever. But that knowledge doesn't help the potential investor much. Knowing that "it will stop raining sometime" is of little assistance to the man who is trying to decide whether to take an umbrella with him.

If the experts who were queried about the future of bond prices in 1899 made the mistake of believing that what had been happening for five or six years previously must continue to happen in the next 20, that is no reason why any intelligent person should make the mistake of believing that because bond prices turned down at these levels 37 years ago they must do so now. Economists told us, back in 1929, that the depression couldn't last more than 18 or 19 months, yet we know that there was no real sign of an upturn before the

passage of three years. Similarly, we were told that we couldn't long stay off the gold standard. But most of the world has been off gold for from five to six years, and it is generally admitted now that a return seems "farther away than ever".

The truth of the matter is that there is a world of difference between the conditions surrounding the easy money period at the turn of the century and that of today.

What happened on the former occasion was that two depressions—that of 1893 and that of 1896—occurred in the same decade in which the country's gold stocks were being rather heavily augmented. In the latter half of the decade alone, the country's holdings of gold, largely as a result of the new discoveries in South Africa, increased from approximately \$700,000,000 to \$1,000,000,000 or by \$300,000,000. The two depressions—substantial ones, in which business activity fell 20 per cent and 18 per cent, respectively, below normal—resulted in a declining demand for new capital, on the one hand, and a lack of credit-worthy customers for commercial accommodations at the banks, on the other. The result was that excess reserves (reported then, of course, by the New York Clearinghouse) rose to levels higher than at any other time prior to the establishment of the Federal Reserve, under which reserve requirements were drastically reduced.

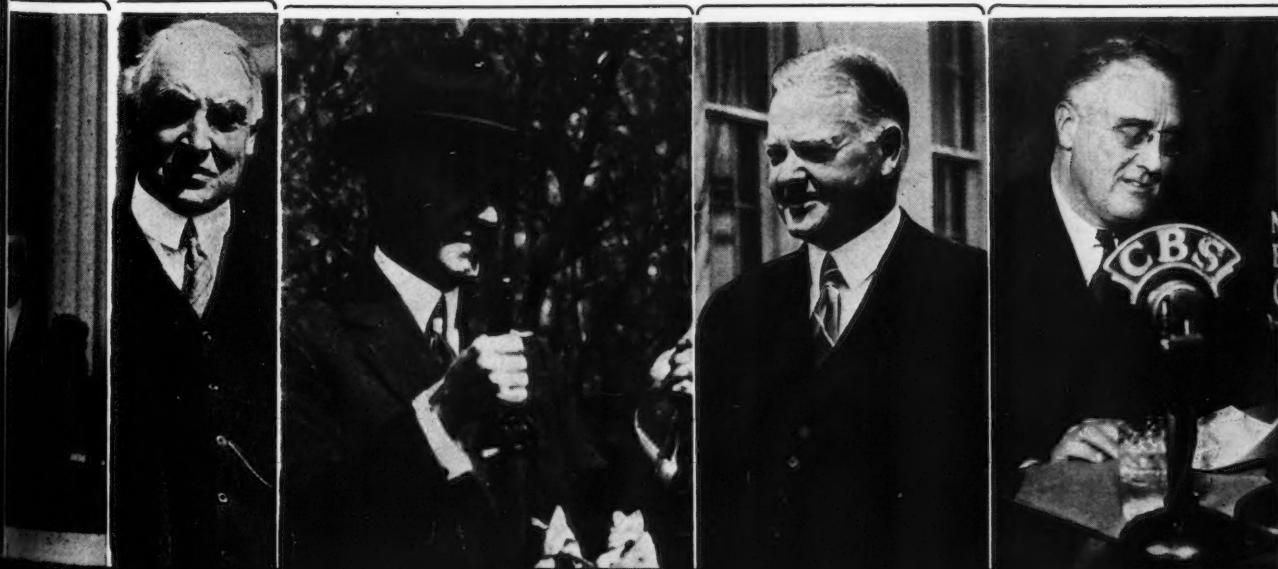
Excess reserves reached their peak,

#### CYCLES AND CHANGE

"THE difference between that situation and the one which exists at the present time may be put in either of two ways. One may say that the glut of money at the turn of the century was due to natural forces, whereas today it is due to the introduction of artificial elements, or one may say this—that on the first of the two occasions the easy money was primarily due to the lack of business demand, whereas on the present occasion it is due to the creation of a superabundance of money on a scale never witnessed before anywhere in the world."

out parallel in the annals of American investment markets. In the short space of two years high grade investments have covered almost the entire price range over which they had traveled in the previous 35 years. Municipal bonds, which were selling in December 1933 to yield 5.50 per cent, have risen so steadily and so sensationally that the first of February, this year, found them quoted to yield 3.10 per cent—the identical basis from which they began their long decline of a generation back, and a basis touched only on that single occasion previous to now in the country's history.

Today, investors are facing the same problems that they or their fathers before them faced a generation ago. With bond prices rising steadily, they are torn between the impulse, on the one hand, to put their funds into securities, rather than let them lie idle, and the fear, on the other, that prices have risen too fast—and that with anything approximating a return to "normal" in the money market, they will suffer substantial losses. To complicate matters, already difficult enough, they find themselves doubly confounded by the advancement, here and in London, of proposals for bringing about a restoration of employment by the maintenance, through monetary management, of steadily declining interest rates. John Maynard Keynes, the chief advocate of this policy, sees a day in the not distant future when the rate for money will have been reduced, through state action, virtually to the vanishing point.



on that occasion, early in 1895, during the most stagnant period that business suffered before or after up to 1921. Reserves held by the clearinghouse banks in January of that year were \$100,000,000 above requirements. (In the interest of perspective, it is perhaps worth pointing out here that "required reserves" in the year 1895 were only about \$125,000,000.)

#### 1900, 1936 COMPARED

A CHART plotting bond, stock and commodity prices, as well as excess reserves, would show that the first three advanced steadily from 1895 to the end of the century while the last-named dwindled just as steadily, until it reached virtually zero. In other words, the picture shows that the country's monetary surplus in that decade, which under normal conditions would have been absorbed in business and trade, was forced to find an outlet in the bond market and in higher prices. Looking at the picture from this vantage point it is perfectly clear why money was redundant and bonds rose to unprecedented heights. It is equally obvious why, as business began to recover in 1899 and 1900, conditions in the money market underwent a pronounced change. Consider what has happened during the last two years.

1. Business, as measured by the adjusted index of the Federal Reserve Board, has risen from 75 to 104, or by almost 40 per cent. This is a rise nearly four times as great as that of 1899-1900, as shown in the index of the Cleveland Trust Company.

2. The value of all stocks listed on the New York Stock Exchange has increased from \$32,500,000,000 to \$50,200,000,000 and the value of all bonds

from \$34,200,000,000 to \$40,300,000,000. This represents a total increase in the value of all listed securities of nearly \$24,000,000,000.

3. Commodity prices, as measured by the index of the Bureau of Labor Statistics, have risen from 70 to 80, or by 14 per cent, increasing by that much the amount of money needed for handling the nation's business.

The difference between the 1900 situation and that which exists at the present time may be put in either of two ways. One may say that the glut of money at the turn of the century was due to natural forces, whereas today it is due to the introduction of artificial elements, or one may say this—that on the first of the two occasions the easy money was primarily due to the lack of business demand, whereas on the present occasion it is due to the creation of a superabundance of money on a scale never witnessed before anywhere in the world.

It is easy to see why some observers, looking back at the episode of 1895-1900, conclude that the easy money rates being witnessed today "won't last". They note that as soon as business returned to normal, or a little better, it absorbed the surplus money supply. But if that rule applied under all conditions, why is it that money hasn't tightened before this?

In former times such an increase in business, or such an increase in market values, or such an increase in prices would have tightened money rates. All three together would have brought monetary stringency in a short time. Yet what has happened on the present occasion? Not only have money rates not tightened, but they have become steadily easier, with the result that, as shown above, the last two years have

seen the most sensational market in high grade bonds in the country's history.

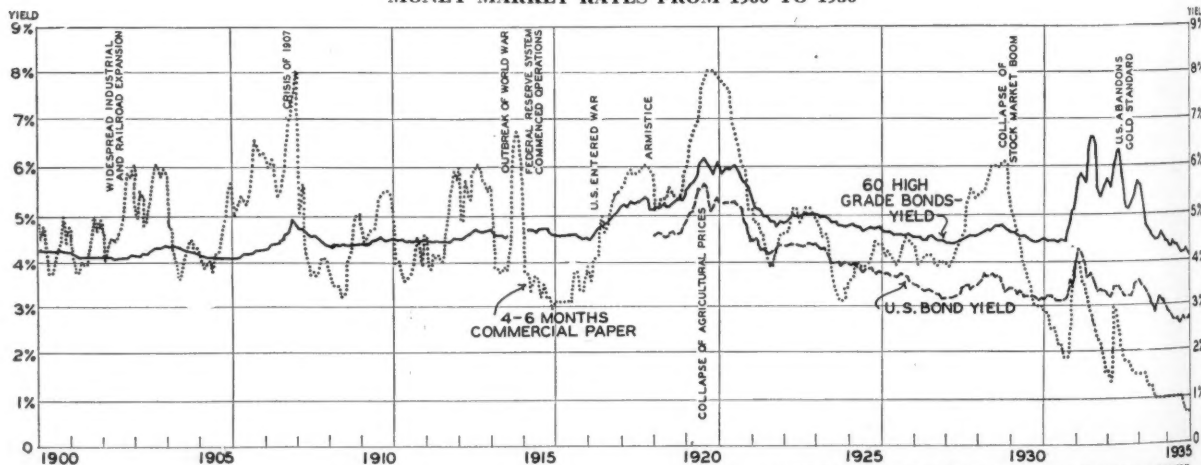
What is the answer to this seeming contradiction? The answer is that we have increased the monetary supply and the potential monetary supply at a rate that has far outrun even our business recovery and the rise in securities and commodities.

#### "GOVERNMENTS" AND GOLD

THE key to this unprecedented situation is to be seen in the banking figures. Keeping before us the "bull market" in gilt-edged securities which began in December 1933, we find that this phenomenon has been largely made possible by contemporary changes in the banking position. On December 6, 1933, the reporting member banks of 101 leading cities, for example, showed deposits of \$15,957,000,000. By March 4 of this year this item had been expanded to \$18,877,000,000 or by almost \$3,000,000,000. And where had these deposits come from? They had arisen out of the sale of Government securities to the banks. The first result of such an operation is to increase Government deposits, but as the Government checks against its deposits the latter are gradually transferred to private hands—and thus new bank money is created.

But the real basis of the almost unlimited supply of money in the country today is to be found in its gold holdings. On December 6, 1933, these stood at \$4,323,000,000. As of March 4, this year, they totaled \$10,170,000,000. This represents an expansion of our stocks of close to \$6,000,000,000, or sufficient, if used as a reserve against bank credit, to form the foundation for a credit edifice (CONTINUED ON PAGE 93)

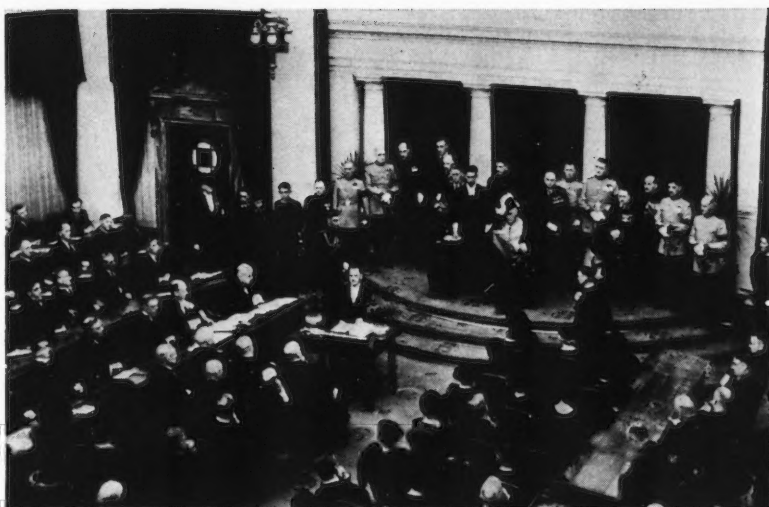
MONEY MARKET RATES FROM 1900 TO 1936



"IN several quarters of the globe (where, incidentally, democracy has survived the impact of a depression of unparalleled scope and intensity and where, therefore, freedom of thought has continued) large sections of the public, including intellectuals, have been converted to so-called new monetary faiths. . . ." At the right, the Provincial parliament of Alberta, where Social Credit appealed to a majority of the electorate when they last voted

By C. M. SHORT

The author is a Canadian economist and writer and an officer of the Canadian Bank of Commerce, Toronto



ACME

## The Social Credit Mirage

THE world has a whole new literature as a by-product of its present economic troubles, in which the most vivid chapters have been written on monetary questions. In Great Britain, for example, about 20 plans of monetary reform have been advanced in recent years, ranging from reflationary proposals with an orthodox ring, advanced by authorities of high standing, to schemes for the issuance of fiat currency in huge volume. These latter are predicated on the belief that as money is so essential to our civilization, a lack of money for the millions of unemployed or underpaid people accounts solely for the continued spectacle of bulging granaries and warehouses on one side of the economic scene and poverty-stricken and nearly destitute human beings on the other.

From time immemorial—from the dawn of the Money Age, in fact—money has been a favorite topic of discussion. In every period of depression bold reformers have proclaimed that they had the formulae with which economic disabilities could be cured, but never within living memory has such a storm of controversy raged over monetary matters as we have witnessed since financial strains first were noticeable in Europe during the Summer of 1931. And perhaps never have the seeds of monetary heresy fallen on such fertile soil and germinated and grown so rapidly as in the past five years. In sev-

eral quarters of the globe (where, incidentally, democracy has survived the impact of a depression of unparalleled scope and intensity and where, therefore, freedom of thought has continued) large sections of the public, including intellectuals, have been converted to so-called new monetary faiths, while politicians have suffered monetary nightmares and bankers the most unfavorable publicity ever known.

If Douglas Social Credit is but one of many weeds which have cluttered the monetary field since this area was first cultivated, it is today the most flourishing of all the noxious plants that remain to be analyzed. Its author, Major C. H. Douglas, M.I.Mech.E., M.I.E.E., is by profession a British mechanical engineer. He does not claim to have revived any old ideas about money, or to have found his inspiration in any contemporary views.

As is well known, a variant of Doug-

las Social Credit, evolved by the Calgary school teacher, Mr. Aberhart, caused the overthrow of a strong government in the Canadian Province of Alberta last Summer and the decision of the electorate to make that section the first laboratory for a practical test of Social Credit, while more recently a similar plan played a major part in a national election in New Zealand and in the accession to power of a Labor Party sympathetic to this monetary movement. It has elements of fundamental emotions affecting religion and politics, as well as banking. It might be noted, however, that Social Credit has so far made but little impression on the electorate of Great Britain, for only three Social Credit candidates ran in the last British election, and these polled but 10,000 votes.

Major Douglas has proceeded from the same basis as many other "new era" economists past and present, and argues that

### Memories of John Law

"MAJOR DOUGLAS has proceeded from the same basis as many other 'new era' economists, past and present, and argues that there is a deficiency in purchasing power which can be made good by the issue of new money by the state, based upon the 'national wealth'. (How familiar that phrase seems once John Law's plan is recalled!) . . . Major Douglas, like most monetary reformers, adorns his arguments with language of a technical character far removed from the ordinary vocabulary."

there is a deficiency in purchasing power which can be made good by the issue of new money by the state, based upon the "national wealth". (How familiar that phrase seems once John Law's plan is recalled!) His proposal is simplified—perhaps over-simplified—here, for Major Douglas, like most monetary reformers, adorns his arguments with language of a technical character far removed from the ordinary vocabulary. Even a highly qualified British economist, H. T. N. Gaitskell, has been so impressed and puzzled by Major Douglas's phraseology as to remark that:

"It may seem surprising that a theory which is at once so ambiguous and so involved should have found so much support. But, apart from the attractions offered by the "cure", the popularity of the Douglas view is in all probability to be explained precisely through its ambiguity and complexity. For each supporter there is an interpretation which suits his intelligence and his knowledge. For the critics there is not one but a collection of heads to cut off. An opponent may destroy to his own satisfaction one of the interpretations, but another will appear in its place. Unless he be gifted with exceptional patience and enthusiasm he will turn away in helpless irritation long before the complete repertoire is exhausted. Other reformers appeal to the same sentiments—the rapidity of technical change, the mysterious and wicked power of the banks, the ease with which crisis and depression may be surmounted if only *the way* is used, but none have that defensive weapon against rational criticism—the ambiguous statement—so perfectly at hand, so efficiently controlled as the followers of Major Douglas."<sup>1</sup>

Yet in the face of that statement an attempt should be made to understand precisely what Major Douglas desires in the way of a monetary system and to analyze clearly various points of his arguments.

The present banking system is, ac-

<sup>1</sup> *What Everybody Wants to Know about Money*, page 369.

#### *Australia, New Zealand, Canada*

"The first voluminous series of articles, pamphlets and books by Major Douglas on Social Credit appeared soon after the Armistice. With courageous and persistent efforts he has enrolled a large and quite influential body of followers, running into the millions. Social Credit clubs, for the dissemination of the views of the master of the cult, abound in Great Britain (where many members follow current political fashions and garb themselves in colored shirts), in Australia, New Zealand and Canada. The United States is regarded by some of the leaders of the movement as the most promising terrain for the spread of their doctrine."

#### *In Search of an Explanation*

"... Major Douglas turned from engineering to monetary problems because, as he says, 'I was struck by certain occurrences which seemed to require an explanation, notably the fact that just before the War it was very difficult to get on with various sorts of work in which I was engaged because there was always some question of scarcity of money', whereas during the Great War 'there was no difficulty about getting money for anything, however wildcat the proposal seemed to be at the moment'."

cording to Major Douglas, mainly responsible for a shortage of money in relation to wealth and productive capacity and this system "is fundamentally wrong . . . and must be scrapped". As long as money-issue is left to the banks underconsumption will persist. Production is financed by the banks, whose loans are added to production costs but, if repaid, are not kept in circulation as money and, therefore, goods are valued above the level of purchasing power, which is made up only of costs. Thus, the repayment of bank loans results in the cancellation of an equivalent amount of money. He does not object to the granting of loans, but to the interest cost of them and to their liquidation.

The deficiency in purchasing power is also accounted for by adding to the prices of goods the capital invested in production plant and by other customary charges, transfers to reserves, insurance, depreciation, etc. Distribution of goods and maximum consumption should be effected on the basis of a national dividend, as follows:

(1) By a discount of 25 per cent on retail prices. This will make up the existing debt of goods to the public, and will require an issue of credit to producers to enable them to reduce prices by this amount. By this grant of national money we can assist

manufacturers to sell to the public at less than cost price, thus benefiting both the purchaser and the trader, whose turnover increases and whose business expands.

(2) By a national dividend, over and above wages, distributed to every citizen whether in employment or not, "which might be expected to exceed three hundred pounds per annum per family".

(3) Wage rates in all organised industries will be reduced by 25 per cent where such reduction does not involve a loss to the wage-earner exceeding 20 per cent of the sums received in the form of national dividend.

As long as the total increase of purchasing power effected by thus lowering prices and distributing money is not more than the total productive capacity of the country, the effect will not be inflationary.<sup>2</sup>

Apart from altering the monetary system, it is promised that no revolutionary change will be necessary to implement this plan. No recasting of the capitalistic structure is contemplated, nor is bureaucratic interference with business intended. The poor, with their "basic dividends", would have the necessities of life, while all other classes would have more money to spend, business would enjoy wider markets and ultimately everyone would be relieved of the burdens of taxation and debt. No more attractive scheme has ever been placed before the public.

So much for the ills of the present monetary system, as Major Douglas sees them, as well as for the essence of his curative prescription. Now let us see how his arguments stand analysis.

In the first instance, Major Douglas makes the demagogic mistake, repeated over and over again throughout monetary history, (CONTINUED ON PAGE 90)

<sup>2</sup> The remedy is condensed from the following: *Social Credit*, Douglas, 3rd edition; *The New Age*, February 26, 1931; *Social Credit Scheme for Scotland*.

# Time-Saving Records in the Discount Department

By E. S. WOOLLEY

THE transactions of the note cage are among the most important in the bank. Therefore the progressive executive is ever on the alert for means of improving and facilitating control over them through proper records. In deciding what constitutes proper records it is always first necessary to find out what information is required. If this step is not taken it is frequently found that some essentials have been overlooked. There is considerable information required from the note cage which can not readily be obtained unless the records are pre-designed to supply it.

This information can be divided into two main sections—that which applies to the borrower and his business, and that which applies to internal control of income and securities. It is necessary to know at all times the total amount of the direct and indirect liability of each borrower. For this reason a liability ledger sheet which will show the total line gives the information much more quickly than a system whereby that line is divided into two or three sections with separate sheets for secured, unsecured and indirect lines.

Some banks do not believe in the use of a liability ledger at all, claiming that they can get the information required without its use. This is true, but then information of total borrowings of any individual borrower is not readily accessible. As this information is frequently required it means that, in the long run, such a method is much more costly than one which offers some central place where all of a borrower's liabilities are recorded.

## AVOID FREQUENT HANDLING

MOST banks use tickler files but many banks also file the notes themselves according to maturity dates. The objection to this practice is that the frequent handling soils the notes very considerably, while serving no good purpose. The maturity tickler can be filed according to dates and the notes alphabetically. This is a decided advantage and also keeps the notes clean. With the use of a typewriter the maturity tickler,

note notice and officer's memorandum copy can all be made at one time.

The officer's memorandum copy can be used for every purpose within the bank that the note itself serves, and if properly prepared can give much more information. Besides the usual information such as date, note number and amount, all three copies should show the original date and amount of the note. The number of times a note has been renewed is very important information, and it is very easily and quickly recorded if it is posted currently to these copies. Otherwise it becomes a laborious task to obtain this information. The officer's memorandum copy should also contain space provided for the following information, *Purpose of Loan, Payment Agreement, Authorized By, High Indebtedness, Low Indebtedness, Present Indebtedness, Average Balance, Pay, Renew, Reduce.*

## CENTRALIZED DATA

IN this way this copy gives much more information than can possibly be shown on the note itself, and it brings all the information to a focal point. Under such a system the notes need never leave the note cage until paid and returned to the customer. This is a very decided advantage to the operations of a note cage. When notes are taken out by various officers it increases the work of the cage and therefore reduces its efficiency.

This officer's memorandum copy will serve all the purposes required even in a directors' meeting. Centralizing information in this manner is a great time saver, as it avoids that "digging out" of information which takes so long and therefore is so often eschewed. Furthermore it facilitates action which is frequently delayed where the required information is difficult to obtain. Forms for the above-described methods are made by the larger manufacturers of bookkeeping machine equipment. The use of a discount machine provides the cheapest method of operating a note

cage where there are sufficient transactions to warrant it—usually about 30 transactions daily.

It has been said that "the note case is the heart of the bank". By this is meant, of course, that so much of the bank's assets are invested in the notes that keeping them liquid is of paramount importance, but doing so means that adequate credit information is obtained. The difficulty with many of the credit files in banks is that too much attention is paid to balance sheets and too little attention to operating statements.

A specific case may illustrate the error of this opinion. A corporation had a note of \$130,000 with a bank. The credit files contained balance sheets for five years, each certified to by a local certified public accountant. These balance sheets gave every indication that the company was entitled to this line of credit. Its inventory averaged around \$350,000, and it carried about \$30,000 cash balance with the bank. There were, however, no operating statements—merely the certified balance sheets. As the line, however, had remained close to \$100,000 for the entire five years, the bank decided to call for the operating statements as submitted to the Federal Government on the company's income tax returns for the five-year period.

## LOSS PREVENTIVE

HERE a very different story was told. It was seen that the sales had been on a steady decline and the cost of production on a steady increase. Moreover, there was an item of \$85,000 shown separately on the opening and closing inventory for the last three years. Investigation revealed that this \$85,000 represented unusable and unreturnable material which would not bring a salvage value of more than \$8,500 at the most. While this feature was bad, it was not really as bad as the decreasing volume and increasing costs, as these pointed definitely to the fact that the business was on the decline and that the management was poor.

No bank wants to take assets. What it desires is to receive payment for the use of the money and to be able to

obtain a return of that principal when it is required. Such a desideratum can be accomplished only where the earnings of the borrower are sufficient. In corporations the only way that this can be ascertained is by analyzing the operating statements. They will reveal facts which can never be found out from the balance sheets alone. Moreover, through analyzing the operating statements the bank can render a real service to its customers, even where those customers are conducting small retail stores. For example, where the ratio of inventory to sales shows a steady increase, the chances are that unsaleable merchandise is being accumulated. If the bank recognizes this it is in a position to recommend that the merchant put on a special sale of such merchandise rather than let it remain idle on the shelves. Likewise, if the ratio of accounts receivable to sales increases, it probably means that the merchant is not paying much attention to collections.

#### PREVENTION, NOT CURE

AS a matter of fact, proper credit files save both time and money. It takes much less time to analyze statements in the first place than it does to follow up matured notes, and it costs less than it does to write off loans. In connection with matured loans, the use of a general ledger control for such loans brings them to the foreground in a way that is not possible otherwise. A detailed report should also be made of such loans to the senior officers daily, in order that immediate action can be taken which will prevent the matured note file from becoming large.

The proper accounting for customers' collateral always presents a problem, not only in respect to seeing that the notes are sufficiently margined but also that all the collateral which should be in the bank is actually there. That such collateral agrees with an uncontrolled collateral register is meaningless. The work of listing all collateral direct from the collateral notes is considerable. Furthermore there are often changes made in the actual collateral which are not reflected on the notes themselves. About the only way that this difficulty can be satisfactorily overcome is by the use of such forms as were illustrated in an article appearing in the September 1935 issue of *BANKING*. If such forms are used there is not much more work entailed in their preparation than there is under any method of customer's receipt, but the information constantly at the bank's disposal is much greater.

The use of various colored metal tabs may be found to facilitate the recording of margin requirements. Such a system will not only avoid the pricing of those which are amply margined, but also can be used to flag those which need constant watching. These tabs are small and can be placed on the collateral ledger sheets, since they will not interfere with handling of such sheets. For example, green could be the color designating that the collateral was of such quality that a financial cataclysm would be necessary to reduce the margin below requirements.

#### INVESTMENT WEATHER FLAGS

YELLOW, blue and other colors could designate various degrees of desirability down to red, which would designate lack of proper margin. These can be expanded to include vertical stripe combinations, such as a red and black combination which might designate that the collateral was short and was to be immediately sold once it had increased to a predetermined figure, and that the bank's brokers had been so advised.

Under the cash receipts and disbursements method the proving of interest earned is quite difficult. It is aided, however, if the note teller enters the number of each note on his daily blotter opposite the amount of every note transaction. No particular time is involved in doing this, but the clearness of the records is very considerably increased.

#### NOTE TELLER'S BLOTTER

IN order to record the transactions clearly, the note teller's blotter must be different from the form used by the receiving and paying tellers, yet frequently one form is used for all, which makes the note teller work under a handicap. Balancing is made much easier where the records are adapted to meet the individual requirements.

If all the note teller's transactions are concentrated on one sheet, much time can be saved at the end of the day and accuracy increased. Furthermore, it facilitates tracing items back when that becomes necessary. The size of the note teller's blotter can be adapted to meet the requirements of the individual bank, but headings should be provided for at least the following: *Number, Loans, Interest Received, Discounts Collected, Real Estate Mortgages, Instalment Notes*. Both debit and credit columns will be required for all of these except the *Number* column. This number should run alongside the monetary columns. The space required by each of

these several headings will vary, but none of them need to be the entire length of the sheet. They can be subdivided according to requirements. For example, the space required by the *Discounts Collected, Real Estate Mortgages* and *Instalment Notes* will not be as great as that required by either *Interest Received* or *Loans*.

A single monetary column is required for such items as *Past Due Note Penalties, Service Charges on Small Loan and Cash Items*. A column is necessary for *Proof*, and the daily balance should be shown on the sheet itself. In this way the cage balances as a unit and all the information is contained on one sheet. This is not only very much more satisfactory from the standpoint of accuracy and of auditing, but it is also very much quicker for daily balancing than information that is contained in various places.\*

#### WELL PLANNED FORMS

TIME is always saved by making the original entries clear. This can never be accomplished unless they are adapted to give all the information which may be required. In designing any accounting forms it pays in reduced costs to give consideration to this point first. Paper and printing are much cheaper than hunting for essential information.

This note teller's blotter is really a combination of blotter and loan department journal and proof. As such, it is not only a time-saver over the use of separate books, but it also provides much clearer records because the complete transactions are contained on one sheet. Individual requirements make changes necessary from the one described here, but the principle will be the same.

For example, some banks may find it more convenient to bind the blotters at the top, others at the side. Again, some banks keep a separate general ledger control for the interest received from secured and unsecured loans, and a further split between the demand and time interest. Naturally the note teller's blotter must have headings to conform with all general ledger controls. Otherwise the original entries could not be readily traced to those controls.

Recognizing this fact, one bank saves considerable time at the window, particularly during the demand interest periods, by using the following method. The note (CONTINUED ON PAGE 54)

\**BANKING* will send a sample copy of such a note teller's blotter on request.

# Do Banks Undervalue SELLING?

By A. PATTERSON FIRTH

Firth Financial Advertising, Inc.,  
Philadelphia

A MANUFACTURER of men's clothing recently approached his banker for a loan to purchase new fabrics. He offered his stock of merchandise as collateral.

In the course of conversation it developed that the manufacturer was creating an excellent product, but he had no definite sales policy. He was relying almost solely upon his name and prestige to sell his goods.

The banker criticized his customer's shortsightedness, pointing out that, however good a product might be, an intelligent, aggressive and continuous sales effort was necessary to merchandise it successfully. He turned down the loan, claiming that merchandise on the shelves was poor collateral unless it was being moved by aggressive salesmanship.

The banker was quite right in his contention. There are two fundamentals to success in modern business—creating and selling—and neither one can function properly without the other.

Unfortunately, this banker, who was so farseeing in his customer's interests, was blind to the fact that he was committing identically the same error in his own business. He had every modern banking facility and service, every department of his bank was functioning perfectly, but he was making no active effort to develop business. In brief, he was creating an excellent product and waiting for the public to buy it.

Far too many banks are content to establish sound banking principles and practices, and await the public's acceptance of their facilities and services. Consequently, they are but the reflected success of the initiative and resourcefulness of their customers, the beneficiaries of a prosperous community.

Admittedly, sound banking is the first prerequisite to growth. But sound banking service is merely the product offered. Without intelligent salesmanship its merits will probably achieve

moderate recognition, but never widespread acceptance.

We must recognize that today there is more to banking than banking itself. We must not only create and maintain a good product—we must sell it.

In considering plans for the creation and operation of a sound, aggressive "sales" department for a bank, let us first review past efforts in this direction, present-day problems, and the increasing competition we are facing. Only by doing so can we hope to obtain a true picture of our needs and requirements.

In recent years there has been a growing appreciation by leading banks

of the necessity for bringing their facilities and services to the attention of the public, and, as a result, we have had an increasing volume of bank advertising, steadily improving in quality as well as in quantity.

While some of this advertising has compared favorably with the best in the commercial field, it was called upon to do an almost impossible job. With an intangible product, advertising at its best broadcasts the standards and policies of a firm or institution; it creates good will, understanding and limited acceptance, but it cannot be expected to do the actual selling in any volume.

## MODERN BANK SERVICE

"... we have an excellent product for sale and have now repriced it so that it can be sold at a profit. Our main effort must now be devoted to popularizing and selling our services to a public that still knows little about them and often cares less."

DIRECTLY OR INDIRECTLY, EVERYBODY USES BANK SERVICE EVERY DAY



## Winged Words

MESSAGES quickly bridge distances through use of today's vast communication systems. Whether you telephone a friend in town, make a radio address from a local station, send a

greatly upon modern banking service. The construction, maintenance and operation of the systems require many forms of banking service and credit from the collection of monthly bills for

FROM AN ADVERTISEMENT OF THE CLEVELAND TRUST CO.

That must be done by a selling force, which, in banking, with few exceptions, has been entirely lacking.

At the present time there is a decided tendency toward the betterment of our public and customer relations through officer and personnel training—one solution to the problem of how best to increase our business and build up our institutions. Absolutely essential in its way, the improving of public relations in this manner is but another unit in a sound, business-building program, exactly as is advertising, and must be included as such in a complete, coordinated "sales" plan if it is to reap maximum benefits.

We have steadily progressed in our efforts to develop business, but we have profited less than if we had been more thorough in our bid for a larger share of available business.

One year ago, the great problem of banks was re-selling themselves to the public—winning back confidence in the banking structure. Happily there is now a growing return of favorable public sentiment towards banks.

Other and broader problems have arisen as a direct outcome of the depression. Millions of people had to economize and sacrifice, not from choice, but from real necessity.

It is the banker's province to help people practice the lessons forced upon them by the exigencies of the depression, to stimulate their ambitions and render permanent the beneficial results of their forced economies. They should be shown how to build and conserve credit—how to plan and prepare for the opportunities of the future.

#### THE BANKER'S COUNSEL

ANOTHER problem which demands our attention is the menace of the radical group.

We have been too long marking time awaiting the end of that mysterious "reconstruction period", while the theorists, reformers, soap-box orators and agitators have been pouring advice into willing ears, much of it laden with insidious poison. The American people will not have their thinking done for them, but their thoughts can be guided. They need the steady, stabilizing counsel the banker is now giving to the few who come to talk over their hopes and plans.

In former times, bankers were traditionally expected to be citizens dignified and aloof. They counseled only with those who sought them out and their attention was usually centered on pa-

trons who had arrived rather than on the "comers."

Today, in order to reach the heart of a bewildered and questioning public and counteract the many revolutionary teachings, the alert banker must extend his counsel and friendly interest to the many where once it was extended to the few. He must simplify the mysteries of finance, inspire confidence, foster optimism and ambition, offer encouragement and guidance to those still floundering, seek discussions and confidences, set new standards of endeavor. And, as we broaden the vision of depositors and public alike, we shall develop new banking power in the community.

#### THE COMPETITION

NO BANKER can look with complacency upon the enormous diversion of funds which has taken place in recent years to more alert competition in related fields. Keener than ever, also, is the persuasive salesmanship of the consuming world. There is a constant babel of voices clamoring for people's savings and urging them to spend for luxuries denied them during the depression.

Although fully aware that under present conditions every increase in deposits adds to the burden and worries of the loans and investments department, it is essential that we take a long range view of this subject. Except under abnormal conditions, deposits are the lifeblood of the banker—his stock in trade.

Competition has greatly increased, the least of it being from rival banks. We must adjust ourselves to the new order of things and gear up our selling and advertising activities to compete successfully with this rising tide of competition.

The key to this pressing situation will be found in the hands of all successful commercial lines of business—a well organized sales department with real sales effort backed by forceful advertising and sound publicity. We must use that key and be on our toes constantly for new and profitable business.

Banking functions are now fairly well standardized. Cost analysis and control methods have been adopted by a large number of banks. In brief, we have an excellent product for sale and have now re-priced it so that it can be sold at a fair and reasonable profit. Our main effort must now be devoted to popularizing and selling our services to a public that still knows little about them and often cares less.

Selling banking facilities and services is in the pioneering stage and calls for

unusual abilities. To produce maximum results and compete successfully for the much sought-after dollar, we must have men as capable in their way as our other senior executives. They must know not only banking but markets, sales methods, merchandising strategy and advertising appeal.

The sales department should consist of three coordinated units—advertising and publicity, public and customer relations, and business solicitation—under the management of a senior officer of the bank who will devote all of his time to such work.

The advertising division will be responsible for creating and broadcasting the printed and written word; newspaper, magazine, direct mail, billboard, car-card, lobby and radio advertising as is deemed necessary; and the drafting of all form letters. Also, it will write and place news items of interest concerning the bank and its family; assemble data and prepare outlines for speeches and talks to be delivered by the bank's officers; and arrange and supervise customer exhibits in the bank's lobby.

#### CUSTOMER-PUBLIC RELATIONS

THE public and customer relations division will be in direct charge of the senior officer of the department, assisted by the advertising and promotion managers. Regular monthly meetings of all employees will be held and subjects of general interest discussed and frequently dramatized. Other special meetings will include officer and teller meetings on customer contacts, letter writing classes, telephone operators' meetings, and gatherings of all those who come in contact with the public in the bank. In connection with the employees' monthly meetings, much interest can be aroused by having an "idea box", with monthly awards for ideas worth while. Annual dinner, Summer outing and other social activities are also a tremendous asset in building *esprit de corps*.

Other activities in this division may include visits of college and high school student classes to the bank, with a tour of inspection and a talk on the operation of a bank. The addition of an essay contest with prizes will help arouse real interest and sow valuable seed in the minds of these prospective customers.

Talks at Rotary, Kiwanis, and other luncheons and gatherings are of inestimable value, as are trust talks before women's groups and at life insurance meetings.

The business solicitation division is of primary importance and should have at

**WHILE** most banks in the United States have discarded quill pens and ancient routine, many still adhere to an advertising and promotional tradition inherited from an age quite different from today.



KEYSTONE PHOTOS

Hoare's Bank, London, in operation since 1673, is a veritable museum of early British business history. In the top picture, one of the bank's messengers and a clerk talking through the old grill; next, a clerk writing with a quill pen; immediately above, the vault where 263 years' ledgers are stored

least one whole-time solicitor, or "salesman", constantly following leads and soliciting business. He should devote his energies almost solely to the commercial department, unless he has some special aptitude or training in the trust field. He should make semi-annual good-will calls on present commercial customers and endeavor to sell other departments and services of the bank. He should call upon all individuals and firms starting in business within the bank's territory, regardless of their present banking affiliations, not with a view to obtaining their accounts, but as a friendly gesture in developing good will for the bank. He should make stockholder contacts and endeavor to interest stockholders in soliciting business or at least influencing the trend of business to the bank. If trust-minded, he should call on local lawyers and endeavor to develop friendly relationships, particularly in these times when the lawyer and the trust officer do not see exactly eye to eye.

Supplementary to this whole-time solicitation, there should be definite plans for educating officers and senior employees to be continually sales-minded and on the lookout for new business. The special officer and teller meetings previously mentioned under customer relations might be used for sales training, with sales demonstrations and interviews dramatized.

A special sales department formulated on these general lines will create a powerful sales agency for any bank. It will furnish a well rounded program that can be followed consistently through a cycle of years with vastly greater results than can be obtained from the succession of dissociated and spasmodic efforts now employed by many banks.

Successful business men agree that selling a product takes as much or more time, thought and effort than does creating or manufacturing it. We have created an excellent product. Let us devote real thought and energy to the problem of selling it at a profit.

# The Month

SEVERAL THINGS ABROAD

Hitler moves into the Rhineland

Italy moves farther into Ethiopia

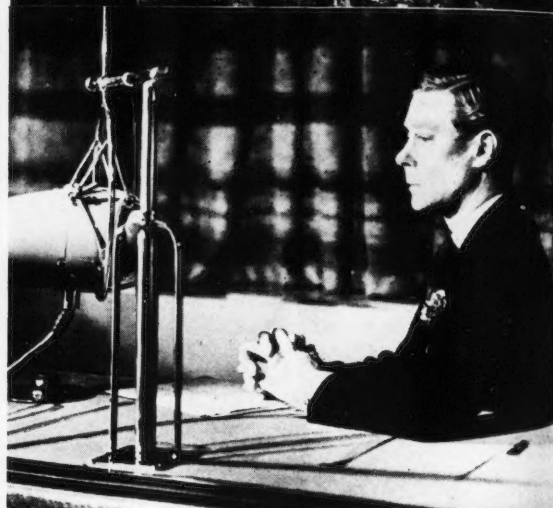
France tests her defenses

England negotiates

Japan suppresses a rebellion



Top: German troops in Cologne  
Bottom: General Graziani in Ethiopia



Top: Army planes over Paris  
Center: King Edward at the microphone  
Bottom: Troops in Tokyo

ACME, WIDE WORLD, INTERNATIONAL

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# The Condition of BUSINESS

**TAX CONSCIOUSNESS.** A most encouraging development, from every point of view, is that Washington and the country generally are becoming acutely tax conscious. Frank and straightforward recognition of the magnitude of the country's fiscal problem is the patriotic first step toward a solution. Present taxes, plus the proposed capital levy, are obviously inadequate to meet the cost of the soldiers' bonus burden, relief, benefits of one kind or another, and swollen public payrolls, and the tardy realization of this fact has had a sobering effect in quarters heretofore engaged chiefly in discovering new ways to spend money.

**UNCERTAINTY ABROAD.** At no time since the World War has commerce, industry and finance in the United States weathered a period of international uncertainty such as occurred during the past month. The seriousness of the political situation in Europe and Asia, and the danger of war, inevitably caused some nervousness to the business community but this was reflected chiefly in the securities markets. There was surprisingly little disturbance or anxiety in the face of grave news.

**CONFIDENCE AT HOME.** Apparently the average business man is convinced that the fundamental requirements for economic recovery in this country are domestic, not foreign. He discerns no reason why progress here should be halted at this time by events abroad. There is also accumulated evidence that the United States, all things considered, is a safer place for capital than almost any other spot in the world.

**CORPORATE EARNINGS.** Current optimism in commerce and industry rests on a fairly solid statistical foundation. Neither future tax burdens nor a host of uncertainties seem to affect adversely the present outlook. Business in general continues to plan for an active year. One reason for confidence is the increased earnings of the leading industries. More dividends were voted on last year's business by industrial corporations than in any year since 1931, with every prospect that earnings during the current year will exceed those of 1935.

Other stimuli, not of an artificial nature, include the prospect of good crops which assures that farmer buying power will continue to be an important factor in commercial and industrial turnover. Also, there are signs of increasing foreign trade and improvement in business in other countries, particularly Canada and several parts of South America. Current reports from the Argentine indicate that prospects there are exceptionally good.

**SECURITY MARKETS.** This is naturally reflected in the securities markets where stocks during the past month completed a year of steady month by month advances. It is becoming evident that most industries are now able to earn fair dividends upon a much lower volume of business than was formerly necessary to keep them in the black. The annual report of United States Steel, for example, demonstrates that the company can now earn higher net returns by operating at 45 per cent of capacity than it could earn operating at 50 per cent of capacity in 1930 and that its profits will rise more rapidly on operations in excess of 50

per cent of capacity than would have been the case prior to the depression.

Reorganization in practically every important line of business has been or is being effected, business concerns have adapted themselves to new conditions and new possibilities of both earnings and expansion are opening up as the country returns to a normal business stride.

**GOVERNMENT SPENDING.** Apparently whatever stimulation was received in the past from the agricultural adjustment program will be continued in some form or other. It is also probable that in spite of lower estimates for unemployment relief during the next fiscal year, ultimate expenditures for this purpose will be about the same as those of the past year. Relief expenditures are bound to be substantial, no matter what happens in the way of business recovery, and the flow of money from the Treasury to the pockets of citizens will be an important factor in the business situation. Also, there is the fair assumption that most of the soldiers' bonus will be spent soon after the Government begins passing it out in July. Altogether, the rain of Government checks promises to continue and will furnish a backlog, until the money runs out, assuring active retail trade, and a sustained demand for industrial output.

**BANKING OUTLOOK.** Government borrowing still dominates the banking situation. The success of the March financing by the Treasury was a foregone conclusion but the seven-fold over-subscription to the issues was unexpected. The padding of applications for the purchase of Government obligations is a regular feature of every offering of importance and the figures do not mean exactly what they say. It is far from certain that investors, including banks, are ready to take up almost eight and a half billion dollars' worth of Government securities, as indicated by the total which was submitted.

**PRESSURE OF IDLE CREDIT.** One point of great significance in connection with the March financing was that the offering of \$600,000,000 of 1½ per cent five-year notes brought in subscriptions totaling \$3,354,464,250. The offering of \$650,000,000 15-year 2.75 per cent securities brought in subscriptions of \$5,106,913,850. The banks and others subscribing for these issues seemed satisfied that there was no prospect of an early demand for their funds from commerce and industry. They apparently feel, therefore, that they can put their unemployed credit in long term investments for the purpose of obtaining as much return on them as circumstances permit. An important unanswered question is: how large a proportion of these issues will remain in the banks and what part will be distributed to individual investors? There does not seem to have been any increase in the demand for Government securities on the part of small private investors and savers.

**PRICE OF GOVERNMENT BONDS.** Immediately following the announcement of the March financing with its demand upon the market for new money, 20 of the 22 long term Federal issues reached new highs. The pressure of unemployed funds on the market is given credit for this extraordinary situation but the prospect of an increase in income tax rates

suggests that a flight of capital to tax exempt securities may also have something to do with it.

**NATIONAL DEBT.** Following the March financing, the Federal debt stood at approximately \$31,300,000,000 or substantially twice the post-war low of \$15,921,892,350 in 1930 and \$6,000,000,000 in excess of the maximum debt in 1919. By the time the bonus payments and new unemployment relief measures are registered in the course of the coming fiscal year the total will be close to \$36,000,000,000. In addition to this great burden upon the taxpayers is the further fact that an increasing proportion of this Government financing is done, and apparently of necessity must be done, by the banks. The latter last year absorbed 91 per cent of the Government's new financing. They now own approximately 53 per cent of the Government's obligations outstanding. The increase in the debt in the past five years, accordingly, has drawn upon commercial funds rather than upon the savings of the people.

The whole of the increase in net amount has been financed by the banks — a fact which is of profound significance in the future of banking in the United States.

**NEXT TREASURY FINANCING.** How soon the Treasury will renew its demands upon the investment market is uncertain. Indications are that it will borrow no more money before June with the exception of the usual offerings of bills, which may be augmented somewhat. Income tax receipts reported after March 16 have been enough to cover the special discount bills due on that date with a fair balance. It is also understood that the actual money raised by the March financing, including the offers of exchange of the \$558,819,200 of notes due on April 15, will give the Treasury something of a margin over the \$1,250,000,000 called for. This new money with the \$1,750,000,000 or so balance in the Treasury is sufficient to cover prospective expenditures for the rest of the fiscal year and afford a fair start on the payment of the soldiers' bonus early in the new fiscal year.

**EASTER.** In both wholesale and retail fields the volume of trade reached a new peak during the past month. A year ago merchandising was characterized chiefly by a demand for cheap goods. In recent months there has been an increasing demand for goods of higher grades and this tendency promises to continue. It is particularly notable with regard to clothing and house furnishings and is reflected, also, in a greater demand for higher priced automobiles and with an increase of activity in all kinds of luxury goods. Advance orders indicate that not only a good Easter season, but also an active Summer, are as certain as anything in the future can be.

**AUTOMOBILES.** There was a sharp rebound in the sales of automobiles in March as compared with the low point reached during February's stretch of bad weather. Dealers' orders forecast a volume of sales fully up to the expectations of the industry.

**RADIO, FOOD AND HOUSEHOLD GOODS.** Increased activity in sales of food has come about following a slight decrease in the general price level, although the cost-of-living index

|                                  |        |
|----------------------------------|--------|
| BUILDING INDUSTRY                | 117.1% |
| AMUSEMENT INDUSTRY               | 106.4% |
| ELECTRICAL EQUIPMENT INDUSTRY    | 88.7%  |
| MACHINERY & METAL INDUSTRY       | 71.9%  |
| FARM MACHINERY INDUSTRY          | 69.7%  |
| BUSINESS & OFFICE EQUIPMENT      | 64.7%  |
| PAPER & PUBLISHING INDUSTRY      | 63.0%  |
| AUTOMOBILE INDUSTRY              | 61.6%  |
| MINING INDUSTRY (EXCLUDING IRON) | 52.9%  |
| CHEMICAL INDUSTRY                | 45.6%  |
| PETROLEUM INDUSTRY               | 42.4%  |
| STEEL, IRON, IRON MINING, COKE   | 42.4%  |
| FOOD INDUSTRY                    | 38.0%  |
| ALL UTILITIES                    | 33.0%  |
| TOBACCO INDUSTRY                 | 32.5%  |
| LAND — REALTY — HOTEL CO'S       | 31.7%  |
| AIRPLANES — AIRWAYS — AIRPORTS   | 27.0%  |
| FINANCE                          | 22.9%  |
| RUBBER TIRE & GOODS INDUSTRY     | 16.5%  |
| RETAIL MERCHANDISING             | 15.6%  |
| RAILROAD INDUSTRY                | 13.7%  |
| LEATHER & BOOT MANUFACTURERS     | 4%     |
| TEXTILE INDUSTRY                 | 3%     |

AVERAGE — ALL U.S. STOCKS  
39.3%

**RELATIVE RECOVERY**  
Percentage increase in total market value of all stocks, March 1934-March 1936. Data from New York Stock Exchange

still registers about 2 per cent above the level of the same season last year. The radio industry, which had its best year in 1935, expects to improve on the record in 1936. Activity in furniture, floor coverings and household equipment, generally, showed a further increase during the past month. One reason for this, of course, is the long accumulated demand, but the rise in home building activity has been an important factor.

**BUILDING.** Residential construction contracts are averaging more than 100 per cent above the level of the same season last year. Lumber mill activity continues around 25 per cent more than the corresponding time last year. Home construction and modernization has greatly stimulated the demand for lumber, cement, hardware, paints, and practically all other building materials, as well as heating apparatus, plumbing, electrical equipment, mechanical refrigerators and garden equipment.

**STEEL AND MACHINE TOOLS.** The steel industry, as for some time past, is still the outstanding favorable factor in the general industrial situation. Demand for steel products is being augmented not only from the automobile and building trades, but also by the increased requirements for heavy machinery and rail equipment. Demand for machine tools continues to show about the same rate of increase it experienced during last Fall and Winter.

**RELATIVE IMPROVEMENT.** Recovery has been very irregular, as between various industries, although there appears to be a gradual adjustment of the line of advance. Activity in the steel industry as measured by percentage of capacity was up 18.7 per cent in mid-March as compared with the same period of last year; pig iron production was up 13.5 per cent; total building contracts in February had increased 90 per cent over February 1935, and the proportion of private as compared with public construction is greatly on the increase; engineering contracts were up 140 per cent and herein, too, the Government proportion is falling. Machine tool orders in March were almost exactly 100 per cent above those of a year previous.

Automobile production in February was up 25 per cent over a year previous; wool mill consumption, 27 per cent; employment in durable goods industries as a whole was up 13 per cent and payrolls 22.8 per cent. Electric power production, however, showed an advance of only 9.7 per cent from mid-March 1935 to the same date this year; car loadings advanced 8.3 per cent; petroleum production, 9 per cent, while bituminous coal production decreased by 1.8 per cent. Raw cotton consumption from January to January advanced 7.2 per cent; cigarette production, 12.2 per cent; volume of mining, 8.5 per cent; volume of manufacturing, 9 per cent. Payrolls in the consumers' goods industries advanced only 2.8 per cent while there was no change at all in consumer goods industrial employment and factory employment as a whole advanced only 5.5 per cent. Department store sales in February were 6.6 per cent above those of a year previous; chain stores, 1.4 per cent; rural sales, 10 per cent.

**UNEMPLOYMENT.** While the index of general business activity averages nearly 10 per cent above the corresponding period of 1935, it would appear from the best available statistics that there are more persons unemployed now than a year ago. Although the fault may lie in the inaccuracy of statistical evidence, there is also a possible reason in the backwardness of recovery in particular lines of industry.

For example, it is a commonplace that the capital goods industries have lagged considerably behind the consumption goods industries. This continues to be the case. Although recovery in heavy industries has been notable in the past few months, it has been moderate compared with the distance yet to be traveled. In 1935 the volume of residential construction was nearly double that of 1934 but it was still only a fifth of the 1928-1929 average. Even at the present rate of construction, twice that of 1935, the result in volume would be only

40 per cent of the 1928-1929 average. The same disparity in rate of recovery is evident with reference to railway improvements, replacements, and new equipment, the demand for machinery, or in many other of the heavy goods industries.

**CHANGING DEMAND FOR LABOR.** This situation may be expected to improve along with the rise in general business activity. Evidently, however, unemployment is a problem that is going to harass recovery for some time. During the depression years there have been developments in almost every industry which changed the demand for labor. Some of these changes were brought about by the necessity for lowering costs and improving processes. Many employees, trained and expert in certain lines before the depression, now find that there is no longer any demand for their services. On the other hand, several industries, notably in the automobile field, report a shortage in certain kinds of expert labor.

Another important factor in the unemployment situation is the constant change in the demand for goods. The arrival of the mechanical refrigerator has had a profound effect on the ice industry. Thousands of ice packers and distributors have been affected. Many thousands of men, of course, have been employed in the manufacture of mechanical refrigerators but these are seldom the same as the men who lost their employment as a result of the change.

**R.F.C. RECEIPTS.** R.F.C. repayments also have been coming into the Treasury at an increased rate. About \$75,000,000 was paid in during the first half of March, making a total of substantially \$150,000,000 for the fiscal year up to that time. Nevertheless the future needs of the Government are such that the June offerings are likely to be large. In addition to the funds to be appropriated for unemployment relief for next year the sums to be paid farmers for past and future A.A.A. contracts must be paid out before the taxes to cover them can be collected.

### STATE WORSHIP

ALL large Italian banks were, on March 3, nationalized by a decree of the Council of Ministers, becoming henceforth public credit institutions. These institutions will pay off stockholders and liquidate their reserves, after which they will be subscribed to by semi-state credit institutes. The Bank of Italy has been given control over all policy and credit. It retains its right of emission. The American financial press compares the new status of the banks with that of the Federal Reserve banks in this country, and compares the semi-state credit institutes with the R.F.C.

Twenty days later, March 23, Premier Mussolini nationalized large private industries, leaving medium and small private industries intact. The large ones, particularly those having a connection with national defense, will be formed into organizations to be known as "key industries." These, Il Duce said, "will be run directly or indirectly by the government. Some will have mixed organization." He stated that "these industries, owing to their characters, volume and importance for war, leave the field of private economy and enter into fields of State economy."



## MIDWEST CONFERENCE ON BANKING SERVICE

ON these pages appears the program for the Midwest Conference on Banking Service, held at the Stevens Hotel, Chicago, April 2 and 3, as part of the Nationwide Program of Banking Development arranged by Robert V. Fleming, President of the American Bankers Association.

Two regional meetings, one serving the eastern states, the other the southern, preceded the Chicago Conference. To the last named were invited bankers from Montana, Wyoming, Colorado, North Dakota, South Dakota, Nebraska, Kansas, Minnesota, Iowa, Missouri, Wisconsin, Illinois, Michigan and Indiana.

Following is the list of speakers and subjects for the three general sessions and six departmental gatherings:

### GENERAL SESSIONS

Thursday A.M., April 2. Call to order, Howard W. Fenton, president, Harris Trust & Savings Bank, Chicago, and General Chairman of the Chicago Conference Committees; *A Nationwide Program of Banking Development*, President Robert V. Fleming; *Federal Reserve Board Rules and Regulations*, Harold Amberg, vice-president, First National Bank, Chicago; *Customer and Public Relations*, Avery G. Clinger, president, Ohio National Bank, Columbus.

Thursday P.M. Call to order, President Fleming; *Bank Crime Protection*, Felix M. McWhirter, president, Peoples' State Bank, Indianapolis; *Bank Investments*, W. G. Rule, vice-president, Boatmen's National Bank, St. Louis; *Science and Problems Involved in Mortgage Lending*, Philip A. Benson, president, Dime Savings Bank of Brooklyn, Brooklyn, New York; *Bank Earnings—Positive and Negative*, Harry A. Brinkman, vice-president, Harris Trust & Savings Bank, Chicago.

Friday A.M., April 3. Call to order, President Fleming; *The Bank's Responsibility for Its Trust Department*, Robertson Griswold, vice-president, Maryland Trust Company, Baltimore; *Sound Public Policy in Chartering Banks*, Herman B. Wells, secretary, Commission for Financial Insti-

tutions, State of Indiana; *Bank Taxation*, Charles H. Mylander, vice-president, The Huntington National Bank, Columbus, Ohio; *New Credit Fields for Banks*, A. G. Brown, president, Ohio Citizens Trust Company, Toledo.

### DEPARTMENTAL FORUMS, APRIL 2

**BANK PROTECTION AND INSURANCE.** Call to order, Reuben A. Lewis, Jr., second vice-president, Continental Illinois National Bank & Trust Company, Chicago; *Internal Auditing Procedure and Control*, leader, R. H. Brunkhorst, comptroller, Harris Trust & Savings Bank, Chicago; *A State Association Program to Beat Bank Banditry*, leader, O. V. Meyhaus, president, Corn Exchange Savings Bank, Sioux Falls, South Dakota; *Adequate Insurance the Final Safeguard*, leader, R. N. Gray, auditor, Union National Bank, Springfield, Missouri.

**CONSTRUCTIVE CUSTOMER RELATIONS.** Call to order, Harold Stonier, Educational Director, American Bankers Association; *The Constructive Customer Relations Conferences and Our Banks*, leader, Albert S. Puelicher, president, Marshall & Ilsley Bank, Milwaukee; *Constructive Customer Relations for Smaller Banks*, leader, Fred Bowman, secretary, Kansas Bankers Association, Topeka; *What People Ask Me About Banks*, leader, Frank R. Curda, assistant vice-president, City National Bank & Trust Company, Chicago; *How Institute Chapters Are Helping in Public Education Programs and Constructive Customer Relations Activities*, leader, Richard W. Hill, secretary, American Institute of Banking, New York.

**FACILITATING FARM CREDIT.** Call to order, A. C. Kingston, president, Oshkosh National Bank, Oshkosh, Wisconsin; *Farm Management and Farm Credit*, leader, F. N. Aldrich, president, Farmers and State Bank, Concord, Michigan; *Government and Farm Credit: Extent of Cooperation with Bankers*, leader, J. M. Sorenson, vice-president, Stephens National Bank, Fremont, Nebraska; *Extent of Competition with Banks*, leader, R. F. McCormick, president, DeKalb Trust and Savings Bank, DeKalb, Illinois.

## CHICAGO, APRIL 2-3

"Great Lakes Cargo", drawn for this month's cover of *BANKING* by Charles Perry Weimer

### DEPARTMENTAL FORUMS, APRIL 3

**ADVERTISING AND PUBLICITY.** Call to order, Gurden Edwards, Director of Advertising and Publicity, American Bankers Association. *What People Expect of the Banks*, leader, A. R. Gruenwald, advertising manager, Marshall & Ilsley Bank, Milwaukee; *Customer Relations Plus Public Relations*, leader, W. E. Brockman, assistant secretary, Northwest Bancorporation, Minneapolis; *The Advertising Services of the American Bankers Association*, leader, Merle E. Selecman, Assistant Director of Advertising and Publicity, A.B.A.

**COMMERCIAL BANKING.** Call to order, Arch W. Anderson, vice-president, Continental Illinois National Bank and Trust Company, Chicago; *Bank Earnings and Expenses: Loan Policies*, leader, Fred B. Brady, vice-president, Commerce Trust Company, Kansas City, Missouri; *Investment Practices and Procedure*, leader, Harry A. Bryant, president, Parsons Commercial Bank, Parsons, Kansas; *Interest on Deposits*, leader, Robert H. Myers, vice-president, Merchants National Bank, Muncie, Indiana; *Service Charges*, leader, Claude L. Stout, executive vice-president, Poudre Valley National Bank, Fort Collins, Colorado; *Income Advances*, leader, Ralph W. Manuel, president, Marquette National Bank, Minneapolis.

**SAVINGS.** Call to order, Philip A. Benson, president, Dime Savings Bank of Brooklyn, Brooklyn, New York; *Personal Loan Departments in Banks*,

leader, E. N. Van Horne, president, Continental National Bank, Lincoln, Nebraska; *Investments*, leader, Cloud Wampler, Lawrence Stern & Company, Chicago; *Interest Rates on Savings*, leader, Henry S. Kingman, treasurer, Farmers and Mechanics Savings Bank, Minneapolis.

### SUBSCRIPTION DINNER MEETING, EVENING, APRIL 3

Speaker, James M. Barker, vice-president-treasurer, Sears, Roebuck & Company, Chicago: *Emotional Causes and Economic Effects*; ballroom of the Stevens Hotel.





HARRIS & EWING

#### SPENDING THE MONEY

Examining section, accounts division of the U. S. Treasurer's office, where all Government checks are cancelled and tabulated. The section averages a quarter million checks daily, but the peak was 1,500,000

## Taxes

Washington, D. C.

**T**HE chief objection to the Administration's tax proposal has been the indirect result of the proposed imposts, especially their effect upon future industrial and financial conditions as affecting general business prosperity, employment, capital investments and the whole economic organization.

It is generally realized that the distribution of all profits or even a much larger proportion of the profits would

prevent corporations from building up the reserves from which in the past they have provided for expansion and improvements and upon which they have relied in lean years, not only to continue to pay dividends but to maintain employment. It is doubtful that there is a single large industrial corporation in the country whose development has not been primarily a plowing in of profits received above a normal dividend rate.

In the five years from 1930 to 1934, inclusive, approximately \$22,000,000,000 was spent out of accumulated funds by industrial concerns alone to maintain

dividends and wages in the face of deficits in operations. What would have happened to this country in the past six or seven years had it not been for these accumulated profits can best be left to the imagination. The possession of ample reserves has also preserved property values during the depression. Stock in corporations which have been in a position to declare reasonable dividends from surpluses in the face of current losses has held its own comparatively in falling markets. Without such surpluses it would have become all but worthless. Without ample reserves, corporations will see their stocks rocket sky-high in times of prosperity and sink to the depths in times of disaster.

Facing these facts it is only natural that Congress is endeavoring to minimize the results of the program laid out for it. The fact remains, however, that insofar as it succeeds from the revenue standpoint it will penalize business.

## Relief

**T**HE relief of unemployment in the United States is the greatest peacetime enterprise ever undertaken by any people through their Government. During the four years in which attempts have been made by the Federal Government to solve the problems of means, methods and cause, there have been four separate systems of relief distribution adopted, working up to the \$4,800,000,000 program now in progress.

In the present fiscal year all previous methods have been followed, predominantly in the so-called Works Progress Administration, involving "made" work of every description from immense public works to "boondoggling".

The amount of money required for Federal unemployment relief aid in the next fiscal year, as indicated by the President in his special message, is placed at \$3,100,000,000, of which \$1,500,000,000 is new money, \$1,000,000,000 accumulated balances and \$600,000,000 contained in regular appropriation bills. The method suggested

is practically the same as that now being followed. This total of \$3,100,000,000 compares with estimated expenditures of \$3,500,000,000 to next July.

It certainly cannot be assumed that, provided current policies are followed, the expenditures for next year will be much if any less than they are for the current year. A year ago, in January, there were approximately 21,000,000 persons receiving relief support from the Federal, state and local governments, this number including the members of the families of the relief re-

cipients. In January of the current year the number is estimated at from 24,000,000 to 26,000,000—about 14,200,000 on the work relief roll and from 10,000,000 to 12,000,000 on state and local relief. It is abundantly plain that the burden is growing no lighter.

GEORGE E. ANDERSON

#### HANDICAP ON RECOVERY

The problem of providing adequate relief, without inviting abuses, is a *sine qua non* of recovery

THE NEW YORK SUN, SATURDAY, MARCH 21

## The Mystery of Fulton, N. Y., the City the Depression Missed

In 1928 private employment took care of 3,464 workers and private charity took care of 136 cases at a cost of \$17,500—In 1936 private employment takes care of 4,327 workers and government charity takes care of 858 cases at a cost of \$350,000; Fulton's pay rolls totaled \$2,753,920 in 1928, for 1935 they totaled \$4,404,027, yet relief stays at peak in city's greatest prosperity.

# Government Banking

Washington, D. C.

THE capitalization of banks and their relation to Government credit agencies in this respect has come under discussion as a result of the hesitant position of many institutions in regard to the preferred stock or capital notes they have issued to the Reconstruction Finance Corporation. Nominally, the total capitalization of the banks as compared with their deposits and other demand liabilities is fairly ample, but it is admitted that a good many of them are under-capitalized as a result of the continued increase in deposits.

Moreover, steadily mounting deposits indicate the need for many institutions to overhaul their capital structures in the near future to preserve a proper balance between capital funds and liabilities.

Approximately half the banks of the country owe the Reconstruction Finance Corporation about \$900,000,000 in the form of preferred stock or capital notes or loans upon such issues, which must be paid off before the banks can be said to be in a satisfactory position from an investment standpoint. Eventually they face the necessity of obtaining new capital from the investing public.

## RETENTION OF R. F. C. CAPITAL

FOR this and other reasons bankers and supervisory officials watched the result of the offering by a San Francisco trust company of 150,000 shares of 4 per cent convertible preferred stock and 250,000 shares of common stock to private investors. They were wondering whether this step portended a trend of any importance.

Meanwhile, banks generally are holding on to their preferred stock capital furnished by the R. F. C. much longer than most of them had anticipated. Of the \$1,040,973,339 of such subscriptions made by the corporation up to the beginning of this year, only \$141,487,200 had been retired, approximately \$70,000,000 in the course of the past year, although many banks have accumulated funds for the purpose much above the required sinking fund rate. The Reconstruction Finance Corporation through its chairman, Jesse Jones, has expressed the hope that other banks will follow the example of the San Francisco institution and seek new capital from private investors.

No doubt this recommendation will be followed just as rapidly as circumstances permit and increasing bank earnings will certainly hasten the process. By July 1, 1937, when the double liability of stockholders can be ended, the vast majority of banks will be in a position to overhaul their capital setup on the basis of private investment only.

Turning to farm credit, an observer cannot view this field in the light of recent developments without a feeling that the American farmer's present position offers vast possibilities for the use of bank funds. There is abundant farm business yet to be secured and the position of the farmer seems to indicate that it is worth seeking.

Indications are that emergency financing for the farmer has been practically completed. In 1934 the land banks lent \$730,367,140; in 1935, \$248,671,200, while in January of this

year the figure was \$12,958,600, as compared with \$34,471,400 in January a year ago. In 1934 the Land Bank Commissioner lent \$553,136,316; in 1935, \$196,395,349; and in January of this year, \$10,034,920, as compared with \$27,923,826 a year ago. Thus total long term loans fell from \$1,283,503,456 to \$445,066,549 between 1934 and 1935 and the current year opens with lower loans than in 1935. Last year farmers paid \$43,000,000 on the principal of their loans from the land banks, which was more than the amortization payments actually due. The change marks an end to the mortgage refinancing campaign and a return to normal farm mortgage lending.

## UPWARD TREND OF SHORT TERM CREDIT

IN short term credit the trend is the other way. The production credit associations and the regional agricultural credit corporations, whose functions are largely the same, together loaned \$286,961,530 in 1935, as compared with \$247,823,256 in 1934, and the intermediate credit banks put out new money in rediscounts totaling \$369,646,883 in 1935, as compared with \$348,545,043 in 1934. The increased income of the past two years has enabled many farmers to pay off their current indebtedness and reduce some of their old obligations. Some of the more prosperous have accumulated enough surplus to free them from the necessity of further borrowing.

On the whole, however, the Government authorities are of the opinion that there will be a greater demand for short term credit among the farmers during the current year than during 1935. Higher wages for farm labor, higher costs of many things the farmer must buy, higher prices for feeder cattle, loans for restocking drought areas and expenditures for long delayed replacements and repairs are considered strong factors pointing to increased short term loans, against which may be offset the cash payments from the Government for crop control through soil conservation.

## FARMER'S POSITION IMPROVED

BEFORE the establishment of the Government's agricultural credit agencies, loans for the farmer along these lines came almost exclusively from country banks. There is no longer any question that the farmer's ability to qualify for bank loans has been materially enhanced by the higher level of farm commodity prices, which increases the value of the collateral he has to offer, and by the system of Government subsidies. The latter afford a cash income even in the face of crop failure or lowered prices out of which loans can be serviced and at least reduced if not repaid. Either through increased income from crops under new conditions or by reason of Government aid the farmer's income has not only been materially increased but it has also been more or less stabilized as compared with the conditions under which farm income has been earned in other years. In short, the average farmer has become a fair to very good bank risk.

The line of credit normally within the range of commercial banking which Government institutions have cut into most heavily is that of the farmers. How much of the loss

of bank business of this sort has been due to Government aggression and how much to the failure of commercial banks to finance the farmer satisfactorily may be a debatable question which, perhaps, is beside the point. The problem is: how much of this business can commercial banks, in view of their large amount of lendable funds and strengthened position, recover from Government agencies? There is an impression that, by reason of the Government's capitalization of its agencies without much if any anticipation of a return upon the funds it advances, these institutions offer competition which banks cannot meet. In some lines this is probably the case, but in lines of credit which ordinarily are strictly commercial and bankable this is not always the case, and in some respects clearly is not.

As of February 1, the credit agencies of the Farm Credit Administration had short term credit to agriculture outstanding at \$353,822,010. This included \$96,216,510 in the production credit associations; \$41,488,781 in the regional agricultural credit associations; \$105,373,958 in emergency crop loans; \$64,697,792 in drought relief loans; and \$46,044,969 in loans discounted by the intermediate credit banks for financial institutions other than governmental credit agencies. With the emergency crop and drought relief loans banks probably can have nothing to do. The outstanding credit of the regional agricultural credit associations is being wound up as their business is taken over by the production credit associations. For new business, accordingly, the competition is between commercial banks and the production credit associations. Loans of the latter are made direct to farmers and the paper is rediscounted with the intermediate credit banks, as is also much of the outstanding credit of the regional agricultural credit associations.

#### INTERMEDIATE CREDIT BANK LOANS

THE first impression of an outsider in examining the statistics of these institutions is that banks have not obtained business which has gone to other institutions that have availed themselves of the facilities of the intermediate credit banks. On February 1 the intermediate credit banks had credit outstanding totaling \$153,743,546, of which \$2,241,308 was in direct loans to cooperative associations (small as compared with \$34,444,516 a year previous); \$105,457,269 in rediscounts for the regional agricultural credit associations, the production credit associations and the banks for cooperatives; and \$46,044,969 for other financing institutions. Of the latter, banks and trust companies had a part amounting to less than half a million dollars. Yet when the intermediate credit banks were organized one of their prime functions was expected to be the rediscount of agricultural paper for commercial banks and trust companies. Commercial banks have never had much part in the business of the intermediate credit banks, although in the earlier days of the latter the old Federal Farm Loan Board made special efforts to induce them to use the facilities offered.

The business which commercial banks might do in this line has been done mostly by privately organized agricultural credit corporations and livestock loan companies—concerns often organized by bankers in their communities. Usually these corporations are not heavily capitalized, and since the intermediate credit banks will rediscount agricultural paper for them only in an amount permitted by local laws, but never above 10 times their capital, a considerable portion of them have lent money to their full capacity and can no further expand their business.

Such institutions, and commercial banks as well, can make

- 1 FARM ASSETS. Credit statements list amounts, distribution, and insurance protection.
- 2 LIABILITIES. Listed amounts of mortgages, short term debts, and surety for others.
- 3 EQUITY. Amount and percentage farmer owns.
- 4 PRODUCTION CAPACITY as shown by land and equipment.
- 5 GAIN OR LOSS in net worth shown between credit statement dates.



#### BANKER-FARMER COOPERATION

"The line of credit normally within the range of commercial banking which Government institutions have cut into most heavily is that of the farmers. How much of the loss of bank business of this sort has been due to Government aggression and how much to the failure of commercial banks to finance the farmer satisfactorily may be a debatable question which, perhaps, is beside the point. The problem is: how much of this business can commercial banks, in view of their large amount of lendable funds and strengthened position, recover from Government agencies?"

The illustration above is from a recent *Bulletin of the Agricultural Commission, American Bankers Association*, showing the information bankers can obtain from well kept farm records

loans at not to exceed 3 per cent in advance of the rediscount rate of the intermediate credit banks—in other words, at present, 5 per cent. Corporations specially organized for this business must have capital, management and other overhead. A 3 per cent margin for a commercial bank which ought to be able to handle such business with little expense above its normal overhead seems to offer a satisfactory profit. Where such loans are not bankable at first sight a little effort might sometimes make them bankable.

There are also the production credit associations which compete directly with commercial banks. These concerns are operated under Government supervision, partly by Government authorities and partly by the farmer borrowers. They lend money directly to farmer borrowers at the rate permitted by the ruling governing rediscounts with the intermediate credit banks—in other words, on the terms under which commercial banks can use rediscount privileges with the intermediate credit banks. This is now 5 per cent.

However, each borrower must subscribe 5 per cent of his loan in capital stock of the association at fair book value, not exceeding par. This stock in time may pay him a dividend or it may involve a loss. The holder can dispose of it after repaying his loan, but only to other borrowers or persons eligible to become borrowers.

Thus the system is at best complicated and cumbersome. It subjects the borrower to the credit scrutiny of his neighbors, he may lose on his stock subscription, and in any event must pay interest on 5 per cent more money borrowed than he has for use. The security he offers must be such as to satisfy his neighbors who, in fact, underwrite the loan to the extent of their stock subscriptions. Banks can and do compete for this business, but whether their share is to increase or diminish depends upon whether they are ready to meet Government competition in rates and security required.

GEORGE E. ANDERSON

# Credit Control

By **FREDERICK A. BRADFORD**

Professor of Economics, Lehigh University

FOR a number of months now the question of excess reserves of member banks has been much in the limelight and has elicited a good bit of controversy as to what, if anything, should be done to improve the situation. That something can be done, if deemed desirable or necessary, is freely admitted on all sides. The Board of Governors of the Federal Reserve System has the power, under the Banking Act of 1935, to raise existing member bank reserve requirements by as much as 100 per cent. The Federal Reserve banks also hold nearly \$2,500,000,000 of Government securities. On March 4, 1936, member bank reserve balances totaled \$5,813,244,000 and excess reserves were estimated at \$3,040,000,000, although at mid-March, due to Treasury operations, the latter dropped to about \$2,390,000,000.

An increase in reserve requirements by the full permissible amount would reduce excess reserves to between \$200,000,000 and \$300,000,000. The sale of the Reserve banks' holdings of Government securities in their entirety would alone reduce excess reserves to around \$500,000,000. A combination of both methods of control, carried to their limits, would leave member banks with a reserve deficit of more than \$2,000,000,000 which could only be made up by borrowing at the Reserve banks, thus leaving the Reserve authorities in control of the market.

The question, then, is not one of ability, but of propriety. It is the problem of what had best be done that has been the subject of controversy. In general, those who have favored action to eliminate some, if not all, of the prevailing reserve excess have been concerned with the desirability of preventing possible credit inflation, or the desirability of tightening money rates somewhat with a consequent increase in bank earnings.

The Federal Advisory Council, which precipitated the controversy by its recommendation of November 21, 1935, stated that it was "strongly of the opinion that, in order to obviate the probability of an undue and dangerous credit inflation, it is desirable from every point of view to eliminate or at least greatly reduce the excess reserves now being carried in the System". It

may likewise be assumed that those monetary economists who have favored a reduction of excess reserves have had the danger of credit inflation chiefly in mind. The bankers who have taken a similar position, on the other hand, have perhaps been mainly concerned with bank earnings, although not exclusively so by any means.

Among those who have favored a policy of inaction for the present, including the Board of Governors and the old Open Market Committee, the stand taken has been that nothing should be done at this time in the interests of continued recovery. This is exemplified

George L. Harrison, president of the Federal Reserve Bank of New York, has been elected head of the Presidents' Council, formerly Governors' Council, of the Federal Reserve System. Mr. Harrison is also one of the four district presidents already named to the Open Market Committee, the other three being M. J. Fleming, Cleveland, B. A. McKinney, Dallas, and G. H. Hamilton, Kansas City. One other will be named from the St. Louis-Chicago Districts



in the statement, issued by the Board and Open Market Committee after their December meeting, which declared that the then existing volume of reserves was "far beyond the present or prospective requirements of credit for sound business recovery" and that the problem would continue to receive "unremitting study", but that since "the primary objective of the System at the present time is still to lend its efforts to a furtherance of recovery", no immediate action was deemed to be desirable.

In spite of this decision, the Advisory Council, on February 12, 1936, again warned the Board of Governors against the danger of credit inflation and advised a substantial increase in member bank reserve requirements, in contrast to its previous recommendation to allow the Reserve banks' holdings of Government securities to run off at maturity. The Board of Governors, however, has as yet taken no action and presumably still holds to the opinion contained in its December statement.

The implication of that statement was plainly that the large volume of excess reserves then obtaining, which still hangs over the market, could not be eliminated in great measure without substantially impeding the recovery of business which was under way. In the judgment of the writer, this belief appears to rest on extremely unsubstantial foundations. It is based, of course, on the assumption that low money rates and plentiful bank funds in a period of depression or early business revival are a stimulus to rapid, or at least to sustained, recovery. Without questioning the validity of this assumption, let us consider the extent to which excess reserves of the present proportions are essential to the maintenance of easy money conditions in the market.

In the month of August 1931, just prior to England's departure from the gold standard, the following average rates prevailed in the New York money market:

|  |               |
|--|---------------|
| Commercial paper.....                          | 2.00 per cent |
| Call loans.....                                | 1.50 per cent |
| Prime bank acceptances (90 days).....          | 0.88 per cent |
| Treasury notes and certificates (3-6 mo.)..... | 0.42 per cent |
| Treasury bonds.....                            | 3.34 per cent |
| Customers' loans.....                          | 3.97 per cent |

# MONEY RATES IN NEW YORK CITY

|   | Dec. 1932                       | July 1935     | Jan. 1936     |
|---|---------------------------------|---------------|---------------|
| Stock Exchange call loans (average renewal rate)..... | 1.00                            | 0.25          | 0.75          |
| Stock Exchange 90-day loans.....                      | $\frac{1}{2}$                   | $\frac{1}{4}$ | 1             |
| Prime commercial paper—4 to 6 months.....             | $1\frac{1}{4}$ — $1\frac{3}{4}$ | $\frac{3}{4}$ | $\frac{3}{4}$ |
| Prime bankers' acceptances—90 days.....               | $\frac{1}{2}$                   | $\frac{1}{8}$ | $\frac{1}{8}$ |
| Short dated Treasury certificates or bills.....       | 0.04                            | 0.10          | 0.10          |
| Treasury bonds.....                                   | 3.48                            | 2.59          | 2.68          |
| Customers' loans.....                                 | 4.22                            | 2.61          | 2.64          |

At the time, these were looked upon as record low rates, a perfectly justifiable attitude. Certainly, if easy money is conducive to business recovery, the rates noted should be sufficiently low to offer whatever stimulus to business easy money can provide.

That these rates did not stimulate business in 1931 is not relevant to the present discussion. What is pertinent is the fact that the rates in question prevailed at a time when the amount of excess reserves of all member banks was only \$100,600,000 and when member banks of New York City had an excess of but \$34,300,000.

## NEW YORK MONEY RATES

IT must be admitted, however, that, low as money rates were in August 1931 they had fallen somewhat further by the early part of 1936. It is extremely doubtful if the difference was sufficient to have the slightest effect on recovery, yet the difference was there. Consequently, it may be worth while to draw another comparison. The data at the top of this page (from the *Federal Reserve Bulletin*), comparing money rates in New York City during three different months, are illuminating in this connection when taken in conjunction with the figures for excess reserves in the same months. For all member banks, excess reserves amounted to \$525,800,000 in December 1932, \$2,385,000,000 in July 1935, and \$3,021,000,000 in January 1936. The corresponding figures for New York City banks are \$283,200,000, \$867,600,000 and (approximately) \$1,400,000,000 respectively.

These data furnish food for thought. Comparing December 1932 with January 1936, it is clear that the majority of rates were somewhat lower in the latter month, although two rates were lower in December 1932, in spite of the fact that excess reserves were but little more than a fifth as large at that time as in January 1936. Even more interesting is the comparison between January 1936 and July of last year. Although excess reserves increased by

over \$600,000,000 in the interval, practically all of the increase occurring in New York City, money rates were either unchanged or lower last July than in January.

It would appear that a variation of several hundred million dollars in the amount of excess reserves has little effect on money rates. Nor is this much to be wondered at. After excess reserves reach a certain size, further increases merely add to the volume of idle funds without having an appreciable effect on money rates because the banks can hardly lower rates further and remain in business. A bank has a building to maintain, a minimum staff which cannot be dispensed with if the bank is to continue to operate, and other unavoidable expenses. Once rates get down to a point where expenses are barely covered and profits are heavily reduced, they tend to remain at that level, with minor variations, regardless of the volume of funds, as long as the demand for credit is dormant.

It must be concluded from a study of the facts that the fear of impeding business recovery is not a sound reason for maintaining the existing large volume of excess reserve funds. It appears to be certain that the excess could be reduced to more manageable proportions (say \$200,000,000 to \$300,000,000) without raising money rates in a substantial degree. It also appears that those who advocate a reduction in excess reserves in order to increase bank earnings are not basing their position on a particularly solid foundation, for it seems unlikely that money rates would increase in any marked fashion unless excess reserves were entirely eliminated.

It is perhaps true that a sharp reduction in the excess reserves of member banks might have a depressing psychological effect which would interfere with the course of business recovery. There are equally good if not better reasons, on the other hand, for believing that the psychological effect might be most salutary. By removing the threat

of credit inflation, sound business recovery might very probably be hastened.

It is not intended here to comment in detail on the differences of opinion which exist about the proper use to be made by the Board of Governors of their newly acquired power to change member bank reserve requirements within rather wide limits. It may be desirable, as some claim, that this power be utilized as a regular instrument of credit control, like the discount rate and open market operations. It may, on the other hand, be best to confine the use of this power to drastic emergencies.

## RESERVES AND RECOVERY

QUITE apart from questions of this sort, however, is the problem of the relation of excess reserves to recovery. The Board of Governors and Open Market Committee, Mr. S. Parker Gilbert and others have based their actions or judgments on the assumption that a reduction of the excess will, in fact, hinder the revival and continued recovery of business. It is difficult to find any sound basis in the record for such an assumption, even for those who are convinced—and with some reason—that low money rates promote recovery once business revival is under way.

There may well be other reasons for failing to take action regarding the enormous excess reserves of the member banks. The Board of Governors may wish to use its new power over reserve requirements sparingly in cases of dire emergency, and it may also feel that liquidation of the Reserve banks' portfolio of "Governments" would so weaken the Government bond market as to make it inadvisable at this time. Upon these grounds, a fairly strong case might be made for a policy of temporary inaction. It is hardly possible, on the contrary, in view of the facts, to build a sound case on the tenuous basis that a substantial reduction of excess reserves is inadvisable because it would act as a deterrent to continued recovery in business.

# State-Controlled Radio Police

## NATIONWIDE PROGRESS

The map at the right shows which states maintain one-way state police broadcasting services (data from the Federal Communications Commission). Also, in 193 cities in 43 states there are local police broadcasting stations capable of one-way transmission. In addition, 164 cities, 18 counties and townships and five states (Massachusetts, Pennsylvania, Michigan, New York and Rhode Island) are experimenting with two-way radio police communication.



**J**UST two years ago, April 1934, this magazine began an article: "If the state of Indiana had possessed an adequate state police force equipped with modern police radio service would Dillinger have escaped? Possibly he would; probably not; certainly not so easily or with so little trace."

How true these words have proved themselves in the present case of Indiana can be reflected in countless ways. On January 6 of this year a lone bandit held up the Farmers State Bank at Brookston, Indiana, and escaped with \$1,760. Two years ago the bank would have lost. Not today. Within three hours the criminal was in jail and all the money was recovered. Within nineteen hours the man had been sentenced and was in the state reformatory serving time.

The credit must go to the Indiana State Police Radio System.

As in Indiana, other states have become awakened to the need so long advocated by the Protective Department of the American Bankers Association for the establishment of state police radio systems. At the present time such systems are operated in Illinois, Indiana, Iowa, Massachusetts, Michigan, Missouri, New York, Ohio, Pennsylvania, Texas and Washington.

The trend is definitely forward toward nationwide, state-controlled radio police protection. States know the value of state police protection and they are

becoming aware of the growing necessity for radio communication. It is an axiom that following a crime there is more chance of catching the criminal within the first half hour than in the remainder of a week. Celerity is what counts. To give the law enforcement officer an even break instant communication and speed are essential. Radio does that. As an example, Indiana can set 840 law enforcement officers on the alert within 15 seconds after it receives word of a crime. Like a huge web the tentacles of police officers are promptly stretched, and it is rare that an individual successfully evades these long arms. Radio is the most potent instrumentality ever placed at the disposal of law enforcement officers.

At 12:05 one noon a few weeks ago a Ford coupe pulled up at a filling station near South Bend, Indiana. Three youths robbed and killed the attendant and fled. The Culver station, WPHS, sounded the warning. Other police stations repeated it and northern Indiana was on the alert for the fleeing murderers. Forty-six minutes later the Culver station cancelled the message—the men and car were in custody. Without radio

another crime might have gone unsolved.

Installations of radio receivers in police cars were first made by the city of Detroit in 1928, followed in 1929 by the Indianapolis police department. No commercial auto-receiver appeared on the market until 1930. The application to state-wide police work followed, but the problem was more intense on account of the larger area involved and the proximity in various areas of high tension power lines and other technical difficulties. Along with claiming the first city to install radio, Michigan was the first also to approach the problem for state police, and the Department of Safety installed a 5,000-watt station at East Lansing. Later New York State obtained the old WGY transmitter at Schenectady and other states followed. Because of the difficulty in maintaining constantly effective service covering the state with one station, the Buckeye Sheriff's Association of Ohio installed five 400-watt stations. The results justified this greater initial and operating expense.

State after state realized the need for radio protection, and met its problems. Many states now find the need but have not yet found the means whereby to meet their problems. In the hope that the experience which Indiana has had might be of assistance to those sister states desiring a way out, the history of the system in Indiana is briefly summarized.

**By FELIX M. McWHIRTER**

**President, The Peoples' State Bank,  
Indianapolis, and former president,  
Indiana Bankers Association**

Following the Dillinger raids, the bankers of Indiana realized that stringent measures had to be taken to combat crime—not only that directed toward banks but all crime. The possibilities and advantages of police radio were realized. The Indiana Bankers Association, through popular subscription during the worst years of the depression, raised \$30,000, to which Governor Paul V. McNutt added \$20,000 from the state's contingent fund, making a total of \$50,000 with which to provide a state radio system.

Two committees were largely responsible for the actual results obtained, one, the finance committee, headed by A. M. Glossbrenner, president of the Levey Printing Company, Indianapolis, and the other a Technical Committee, headed by Lieut.-Commander O. F. Heslar, Commander Third Naval Area, Indianapolis. After the \$30,000 was turned over to the State Treasurer, the finance committee was automatically discontinued, but the Technical Committee, composed of outstanding technicians in telephone, radio and electrical fields, still remains active as a controlling and guiding hand, representing the citizens of the state, in the operations of the State Police Radio System.

#### GEOLOGY A FACTOR

PRELIMINARY technical surveys were started. The state covers an area of 36,354 square miles, and, from an analysis of other installations (Michigan and Ohio were consulted materially) the best solution appeared to be in the installation of a master or key station at centrally located Indianapolis, supplemented by additional stations in the north and south. Field intensity surveys were made around Indianapolis and a suitable site was found at the State Fair Grounds.

The state is long and narrow with greater population and main highways in the northern part of the state. The sandy soil conditions in the lake region required consideration. The surveys disclosed the need for stations in the northern part of the state, one near Columbia City and the other near North Judson. Culver Military Academy provided facilities and the latter station was located at that point.

The surveys in the south pointed to the use of two stations to insure consistent signals over the limestone belt and in the southeastern part of the state. The final station locations were near Seymour and Jasper.

In the meantime, plans and layouts for a transmitter station house were

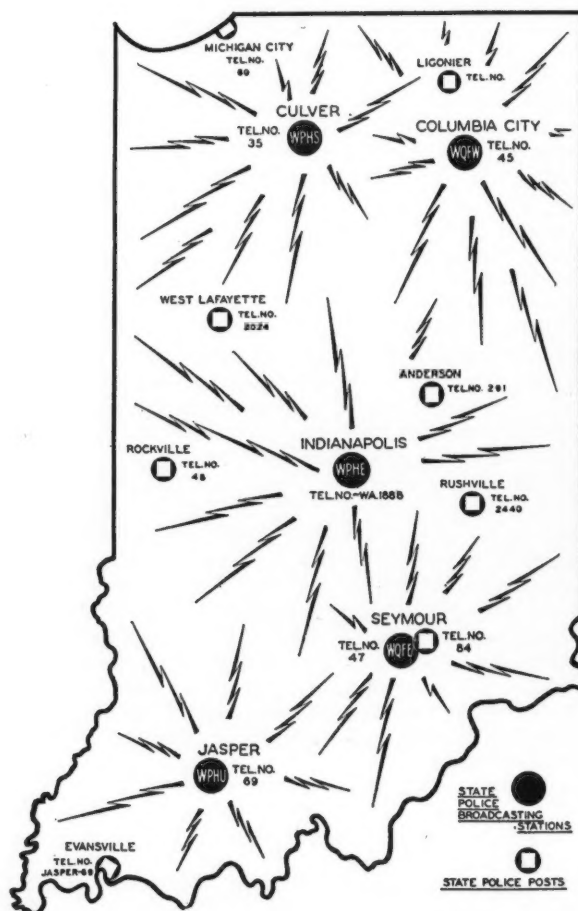
(CONTINUED ON PAGE 46)

Right: One of the well fortified transmission stations in the Indiana network



Below: A map showing distribution of the Indiana stations after such factors as limestone deposits, sand dunes, population density, etc., had been taken into account

### Indiana State Police Posts and Radio Stations



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*(Excerpts from an American National Bank of Kalamazoo letter)*



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# Recordak

ACCOUNTING BY PHOTOGRAPHY

(CONTINUED FROM PAGE 44)

being made. The building is of brick, one story and basement construction, about 72 feet by 26 feet, and 16 feet high. It is arranged to be attack proof and is equipped with bullet proof glass and safety features. Shielded service and test rooms are available for repair work. Eight 500-watt searchlights can be used for night illumination, and a six-foot woven steel fence topped with three strands of barbed wire surrounds the building at a radius of 180 feet.

The next problem was to engineer resources so as to build the system with the available capital. The sites for the transmitter stations had to be obtained. The local business men's associations at Columbia City and Seymour deeded the required land. The Development Club of Columbia City deeded 6.129 acres for the site in the northeast section of Indiana; and Seymour, through the Industrial Club of that city, deeded a site of 3.14 acres to the state for the station in the southeast. Jasper provided temporary housing for its station. Culver Military Academy at Culver placed the former broadcasting studio and transmitting antenna towers at the department's disposal on a basis of indefinite lease. The site at Indianapolis was obtained by transfer from the State Board of Agriculture.

The most economical 1,000-watt transmitters at that time cost about \$8,000, which would have absorbed \$40,000 for transmitters alone, leaving but \$10,000 for five buildings and antenna systems. At that time, broadcasting stations were increasing their power and by careful purchase it was possible to obtain five standard Western Electric 1,000-watt transmitters with all accessory equipment in excellent operating condition for a total of \$17,000.

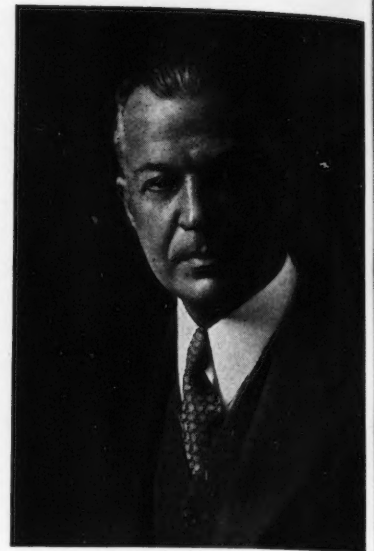
Advantage was taken of the most recent engineering developments in antenna design, and self-supporting vertical radiators, 220 feet high, were obtained. An elaborate ground system using about five miles of wire was installed. This has resulted in high transmitting efficiency. Through the F.E.R.A., provisions were made to erect the buildings, the materials of which cost about \$5,800, and work was started on the Indianapolis station in October 1934. The total cost of the completed Indianapolis station, call letters WPHS, which includes testing equipment for the system, was \$13,900. The system averaged a lower cost per station on account of the Culver installation, where the cost for the completed station was only \$4,127. The first transmitter, with

call letters WPHS, was installed in Culver in December 1934. In temporary quarters in the Jasper Providence Home provided by that city, a transmitter was installed in January 1935, with call letters WPHU. At Seymour, for station WQFE, pending final construction of the transmitter room, the transmitter was installed in March 1935 in temporary housing. The final transmitter was installed in the Indianapolis station in June 1935. The Columbia City transmitter, WQFW, completed the system by its installation on September 14, 1935. At the present time ultra-modern state police post headquarters at Seymour and Jasper are about to go into construction, with permanent quarters for WPHU and WQFE.

Each station as completed obtained a Federal Communications Commission operating license, and licensed operators and technicians were added to the staff as required. The station at Indianapolis acts as control station, but messages may originate at any of the stations. These messages are obtained from state police stations, headquarters or district offices, sheriffs, municipal police departments or from the stations in adjacent states. They are broadcast by all stations in case the message has state-wide interest or by a certain station when intended for a certain district. In addition to messages, dispatches are broadcast to officers in squad cars. All messages transmitted during the preceding 24 hours are broadcast in the form of a summary review at 10 o'clock in the morning and another at 7:30 o'clock in the evening. A mimeographed copy of this summary is mailed daily to all barracks and sheriff's offices, to 70 city police departments who have state police radio receiving sets installed, to 30 insurance companies, as well as to 60 individual state police officers not located at state police posts.

#### STATE-WIDE CORRELATION

THE operation of the radio system was put under the guidance of Paul G. Andres, chief radio engineer. The operating staff consists of the communications officer, Sgt. Frank Morrow, with headquarters at the State House in Indianapolis, whose function it is to correlate all anti-crime activity and who acts as liaison officer between the state police, sheriffs, and other law enforcing agencies and the radio system. It is he who directs the messages and files all data regarding any broadcast. Personnel at each station consists of an acting chief operator with two or three operators, depending on hours



Mr. McWhirter

of operation. In addition the full time services of three receiver men are required to keep all receiving equipment up to a high standard of performance. A transmitting engineer has charge of the transmitting equipment and a supervisor of operations technique is in charge of all operations. The staff consists of engineering graduates from Purdue University, the University of Notre Dame, Rose Polytechnic Institute and from practical radio schools. All operators have first class Federal radio telephone licenses. These men who are putting in long hours in operation and construction have helped to keep construction and installation costs to a low figure. They see not only an opportunity for training and experience but also a possibility for advancement.

The net result of these state police broadcasts has been the beginning of a correlation of the activities of all law enforcing agencies in the state. Within a few minutes every police officer and sheriff in Indiana can be informed of any crime activity. Not only does this aid as a powerful tool in the apprehension of the criminal and the recovery of stolen property, but it also acts psychologically as a crime deterrent.

The Indiana State Police Radio System has already taken its place as a leader in the ranks of state systems. It has made no small contribution toward making Indiana a safer and more law abiding state which the criminal had best avoid. Such is the result of initiative, foresight, ability and cooperation among and between the state administration, the county authorities, the citizens generally and the Indiana Bankers Association.



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# Security Purchases

## Comptroller's Regulations

THE Comptroller's regulations dated February 15, 1936, relate primarily to restrictions on the purchase of investment securities. The Comptroller issued under the same date "interpretative rulings" with respect to the purchase of investment securities and to the dealing in securities and stock for customers. The primary factors are (1) that while the *rulings* are limited to *national banks*, the *regulations* extend expressly to *state member banks* and apply indirectly to *nonmember state banks* and *private banks*, and (2) that the *rulings* and the *regulations* are *not retroactive*, so that for example they do not apply to purchases made before their date (or probably such later date as they were in fact promulgated), except, of course, so far as they are embodied in earlier rulings and regulations of the Comptroller.

The accompanying analysis is a combination of legal analysis and (bracketed in italics) some practical comment on the application thereof

THE regulations prohibit the purchase by a national or state member bank of investment securities:

1. In default as to principal or interest;
2. Convertible into stock at the option of the issuer, few of which are on the market;
3. "Distinctly or predominately" speculative, or of lower standard.

The Comptroller refers to the use of terms in "recognized rating manuals" and states that "where there is doubt as to the eligibility of a security for purchase, such eligibility must be supported by not less than two rating manuals."

[This is generally presumed to mean that at least two of the recognized rating bureaus must grade a bond BBB or better before it will be acceptable. At least this is probably the way in which the application of the ruling will start out. Eventually, however, some difficulties are inevitable. The rating bureaus are not infallible, as is proved by the unanimously well rated bonds which have subsequently gone into default. So that the mere fact that a bond is today well rated by all the bureaus will not mean that banks strictly complying with the ruling will avoid the defaulted bond problem hereafter.]

[The answers to a questionnaire sent to the large rating bureaus some time ago, revealed the fact that no two of them use the same yardstick in obtaining their rat-

ings. It would therefore seem that the first step would be to find some measure of uniformity. It is to be doubted that the office of the Comptroller of the Currency will be willing to assume the responsibility and worry which inevitably goes with the issuing of an acceptable list of bonds. Moreover the experience of those states which have adopted such a policy has not been any encouragement to such a procedure by the Federal Government.]

[These difficulties will always be experienced, because if the list is too narrow the price of the bonds on that list will become prohibitive. On the other hand if it were too elastic it would defeat its own object. The principle back of the ruling is commendable. All conservative bankers will agree that bonds of a speculative character have no place in a bank's portfolio; the problem is to bring that principle into practical application. At least for the time being it would seem to be advisable for a bank to limit its bond purchases to bonds with ratings better than BBB.]

### PURCHASES ABOVE PAR

ON the purchase of a security above par, the bank must provide for regular amortization of the premium so that such premium shall be extinguished at or before maturity and that the security shall never be carried at more than the call price; or set up a reserve account to accomplish the same result in substance.

[In other words those banks which enter all bonds on their books at par and keep but one valuation account titled by some such name as "Premiums and Discounts on Bonds Purchased" will have to change their methods in order to comply with the

ruling. Premiums in excess of call price, if the bond has a call price, will have to be written off immediately. If a "Reserve for Amortization of Bond Premiums" account is carried on the books, the entries should clearly show the identical bonds to which the amortization applies. The ruling says the premium shall be amortized over the life of the bonds, but does not say whether the premium should be amortized daily, monthly, semi-annually or annually. The most practical way, and one which undoubtedly would meet with approval, is a straight line monthly amortization basis. By "straight line" is meant dividing the premium by the number of months which the bond has to run. For example, a bond maturing three years after purchase would have 1/36 of the premium charged off each month. It is quite possible that the amortization could be charged off at the quarterly or semi-annual closing periods in the case of smaller banks. It is to be doubted that any actuarial method of amortization is contemplated.]

The regulations prohibit a member bank from participating as principal in the marketing of securities other than by purchasing investment securities under section 5136 Revised Statutes and the regulations.

The regulations are promulgated under express authorization of section 5136 which:

1. Prohibits generally a national bank from purchasing corporate stock for its own account, subject to such statutory exceptions as the limited right to invest in stock of Federal Reserve banks or safe deposit companies.
2. Prohibits a national bank from underwriting issues of securities or stock.
3. Prohibits generally a national bank from purchasing securities for its own account, except as authorized "under such limitations and restrictions as the Comptroller of the Currency may by regulation prescribe."
4. Limits the amount of investment securities of one obligor (regardless of the number of issues) which a national bank may hold to 10 per cent of the bank's capital and surplus.

[The object of this is, of course, quite apparent—to encourage that diversification which is one of the requisites of a well balanced (CONTINUED ON PAGE 52)]



# FLOODS

## HAVE CREATED AN OPPORTUNITY FOR LENDING

THRU FIELD  
WAREHOUSING  
YOU CAN LOAN  
SAFELY AND  
PROFITABLY TO  
SUPPLY THE WORK-  
ING CAPITAL DE-  
STROYED BY FLOODS

### Plant Inventories

#### We Have Field Warehoused

Canned Goods . . . At the Canneries  
Dried Fruit . . . At Packing Plants  
Olives . . . In Brine Tanks  
Wool . . . At Dealers and Mills  
Logs . . . In the Booms  
Petroleum . . . In Field Storage Tanks  
Lumber . . . In Mill Yards  
Groceries . . . At the Wholesalers  
Airplanes . . . Where They Are Made  
Hides . . . At Tanneries  
Grain . . . In Elevators  
Coal . . . On Coal Docks  
Beer . . . In Brewery Vats  
Wine . . . In Aging Tanks  
Sugar . . . At Mills  
Whiskey . . . At Distilleries  
Plus Scores of Other Products  
Stored in Factory Rooms, Bins,  
Vats, Tanks, Yards, Docks, etc.

Our New York and Buffalo  
Offices are especially equipped  
to render prompt service in the  
entire Flood Area.

### WHAT THE LAWRENCE SYSTEM IS

We issue negotiable warehouse  
receipts against almost any com-  
modity nearly any place it hap-  
pens to be for the convenience of  
the industry as you will see by  
the unusual list given in this ad-  
vertisement.

*Copies of the pamphlet, "Warehouse Receipts as Collateral," are  
obtainable free, postage paid, from any of our offices, on request.*



### FIELD WAREHOUSING

MEMBER: AMERICAN WAREHOUSEMEN'S ASSOCIATION—SINCE 1916

## LAWRENCE WAREHOUSE COMPANY

A. T. GIBSON, PRESIDENT

NEW YORK  
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BUFFALO  
Liberty Bank Bldg.

SAN FRANCISCO  
37 Drumm St.

LOS ANGELES  
W. P. Story Bldg.

PORTLAND, ORE.  
U. S. National Bank Bldg.

SPOKANE, WASH.  
155 S. Stevens

HOUSTON  
Second National Bank Bldg.

DALLAS  
Santa Fe Bldg.

HONOLULU, T. H.  
Dillingham Transportation Bldg.

**"CERTIFIED" ON CHECKS . . . "LAWRENCE" ON WAREHOUSE RECEIPTS**

*bond account. There are cases where this may prove somewhat of a hardship, particularly in the smaller capitalized banks, but by and large it is not one which will receive much opposition from conservative bankers.]*

The regulations base the limitation on *par* or *face* not *market* value. Section 5136 further provides that such limitation shall not require the disposal of securities lawfully held on August 23, 1935, the date of enactment of the Banking Act of 1935. Other provisions of the regulations and rulings indicate clearly that the Comptroller does not consider a purchase of investment securities as a loan to the issuer; this means that such a purchase will not affect the aggregate loans that a national bank may, under section 5200 Revised Statutes, make to the issuer. 5. Exempts from such statutory restrictions on the dealing in, underwriting, and purchasing of investment securities:

- (a) Government obligations
- (b) General obligations of states and their political subdivisions
- (c) Federal land bank bonds
- (d) Joint stock land bank bonds
- (e) Federal intermediate credit bank debentures
- (f) Federal Home Loan bank bonds and debentures
- (g) Home Owners' Loan Corporation bonds
- (h) First mortgages, to provide low-cost housing, insured under section 207 of the National Housing Act, if debentures to be issued in payment of such mortgages are fully guaranteed by the Government. Section 204(b) of the National Housing Act provides that debentures, issued in exchange for mortgages insured prior to July 1, 1937, shall be so guaranteed.

(The regulations expressly exempt from their operation "securities" which have been acquired by foreclosure of collateral, or in good faith on compromise of doubtful claim, or to avert apprehended loss of debt previously contracted.)

6. Provides that the term "investment securities" shall "mean *marketable* obligations evidencing indebtedness of any person, copartnership, association, or corporation in the form of bonds, notes, and/or debentures, commonly known as investment securities under such further definition

of the term 'investment securities' as may by *regulation* be prescribed by the Comptroller of the Currency."

Such "further definition" relates primarily to the word "*marketable*". The regulations state that under ordinary circumstances the term "*marketable*" means "that the security in question has such a market as to render sales at intrinsic values readily available". The following minimum requirements must be met:

- (a) An issue of sufficient size to make marketability "possible";
- (b) Public distribution of the particular issue or of other "existing securities of the issuer" in such manner as to protect or insure the marketability of the particular issue;
- (c) Registration of the issue under the Securities Act of 1933, unless exempt;
- (d) If security issued under trust agreement, obligor cannot be trustee, which must be a bank or trust company.

#### LOANS

THE regulations provide that in general if an obligation is in the form of a *security*, a member bank's acquisition must be considered a purchase. The significance of this is apparent for while a *loan* by a member bank is not affected by section 5136 or these regulations, a purchase of investment securities must comply with their provisions. Although "*security*" is not defined, the regulations call particular attention to the statutory phrase, "form of bonds, notes, and/or debentures, commonly known as investment securities." It would seem that the ordinary commercial loan by a bank represented by the borrower's promissory note cannot be considered the purchase of a security. The Comptroller authorizes a member bank to classify a transaction as a loan when the security evidences a real estate obligation made or purchased "pursuant" to section 24 of the Federal Reserve Act, which is limited in its terms to a national bank.

The requirements of section 24 are:

1. A first lien on improved real estate including improved farm land;
2. If bank does not make original loan but purchases loan from third person, entire obligation must be bought;
3. Maximum of 50 per cent of appraised value and five-year duration for *unamortized* loans;
4. 60 per cent and ten years are corresponding limitations for *amortized* loans;

5. Instalment payments required by amortized loans must be sufficient to pay at least 40 per cent of the principal within maximum period of ten years;

(Not any of the above limitations apply to loans insured under Title II of the National Housing Act, nor prevent the renewal or extension of loans made prior to August 23, 1935.)

6. Aggregate loans by one bank limited to amount of its capital and surplus or 60 per cent of its time and savings accounts, whichever is greater.

Section 24 further provides that its requirements shall not apply to loans for not more than six months to finance "construction of residential or farm buildings", nor to industrial loans made in cooperation with a Federal Reserve bank or the Reconstruction Finance Corporation.

It follows from the above discussion that to authorize the making or purchase of a real estate loan by a state member, such loan must:

1. Comply with section 24, or
2. Meet the requirements for an eligible "investment security" under section 5136 and the regulations of the Comptroller, or
3. Assume a *form* other than that of a *security*.

#### "BUSINESS . . . OF SELLING"

THE regulations are expressly authorized by section 5136, which section is referred to in section 21(a)(1) of the Banking Act of 1933, as amended by section 303(a) of the Banking Act of 1935. Section 21(a)(1) makes it a criminal offense, punishable by a maximum fine of \$5,000, maximum imprisonment for five years, or both, for individuals or corporations or other organizations "engaged in the *business* of issuing, underwriting, *selling*, or distributing, at wholesale or retail, or through syndicate participation, stocks, bonds, debentures, notes, or other securities, to engage at the same time to any extent whatever in the business of receiving deposits \* \* \*", but expressly provides that the prohibition shall not preclude national or state banks or trust companies "or other financial institutions or private bankers" from "dealing in, underwriting, *purchasing*, and *selling investment securities*" to the "extent permitted to national banking associations by the provisions of section 5136". To the extent that the regulations restrict the purchase of investment securities, they increase the criminal liability under section 21(a)(1); for while purchases for investment would not

violate such section, sales and their incidental purchases of ineligible investment securities may constitute engaging in the prohibited business of selling securities.

Section 21(a)(1) subjects to heavy criminal penalties transactions by national banks, state member banks and nonmember banks prohibited by it and not permitted by Section 5136.

#### REPURCHASE AND RESALE

A MEMBER bank cannot on the purchase or sale of investment securities give the other party the right to require the bank to resell or repurchase them notwithstanding any rights of the bank as to resale or repurchase. A member bank must not renew a prohibited agreement, and shall either terminate the agreement or make it conform to the regulations, if it can do so lawfully. Subject to limitations and restrictions in the law and these regulations, a member bank may purchase or sell investment securities under an agreement giving it the right to resell or repurchase on terms more favorable than the market. It may also on the purchase of investment securities take a guaranty from the seller or third party against loss on resale. (While the *regulations* do not and cannot apply to "exempted securities" listed on page 52, the provisions in this paragraph are repeated in the *rulings* as to transactions by national banks—but not member state banks—in such exempted securities.)

#### ENFORCING BODIES

THE Comptroller has the function of enforcing section 5136 and the above considered regulations so far as they affect national banks; the Board of Governors has such function so far as they affect state member banks; the Federal Department of Justice is vested with the enforcement of section 21(a)(1) in its application to all banking institutions.

## Comptroller's Rulings

THE remainder of this article deals with the "Interpretative Rulings with Respect to Section 5136" which were issued at the same time as the regulations. In contrast with the regulations, they are *limited to national banks*.

#### LOAN LIMIT

A TRANSACTION with a national bank in the form of a *sale* to it of exempted or nonexempted securities with

#### State Member Banks Bound by Regulations

STATE member banks are bound by the Comptroller's regulations by virtue of paragraph 19 of section 9 of the Federal Reserve Act, which expressly makes them "subject to the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of *investment securities* and stock as are applicable in the case of national banks under paragraph 'Seventh' of section 5136 . . ."

The reasoning is:

1. State member banks are bound by limitations on national banks under paragraph "Seventh".
2. Under paragraph "Seventh", national banks are bound by the *regulations* of the Comptroller.
3. Therefore, state member banks are bound by such regulations.

The regulations have not only a direct effect upon member banks, but also an indirect effect upon them and upon non-member banking institutions and private bankers.

a *repurchase* agreement by the seller must be confined to *eligible* investment securities, and in addition the transaction may be considered a *loan*, subject to the limitations of section 5200 as to the aggregate loans by a national bank to one borrower.

Among the circumstances that will be considered "indicative or possibly conclusive" that section 5200 will apply are:

1. Seller already indebted and the repurchase obligation would make indebtedness exceed the loan limit;
2. Where the repurchase price includes "specified" rate of interest on purchase price for period bank holds the securities, *or* repurchase price is "approximately equivalent" to sale price plus interest at the usual rate on loans;
3. Where seller has right to make substitution in securities sold.

#### DEALING FOR CUSTOMERS

DEALING by a national bank in securities and stock for customers is authorized by implication by the provision of section 5136 that "the business of dealing in securities and stock by" a *national bank* "shall be limited to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of, customers \* \* \*". The Comptroller rules that the implied power does not authorize a *national bank* to:

- (a) Charge more than the "fair cost" of handling the transaction;
- (b) Retain any commission, rebate or discount received from

others in *purchasing* for customer; such reduction of price must be passed on to the purchaser unless it does not exceed the cost of handling the transaction;

- (c) Act as agent to sell or distribute "securities" for *obligor* (without specific mention of "stock");
- (d) Use solicitors to obtain orders to purchase or sell "securities" (without specific mention of "stock");
- (e) Charge as middleman for bringing together borrower and lender or issuer and purchaser;
- (f) Use own funds in making purchases; before purchase is made customer must pay cost or authorize the national bank to charge cost against adequate credit or collateral;
- (g) Make purchase or sale without disclosing that bank is agent not principal.

#### BOND RATINGS

WITH regard to the Comptroller's regulation on bank purchases of securities, Moody's says that bonds carrying its rating Baa, "while carrying some speculative elements, are not considered to be 'distinctly or predominantly' speculative."

Standard Statistics considers its ratings A1+, A1 and A as within the investment classification, but thinks "some question might exist as to the eligibility of certain B1+ obligations." Poor's interprets the new regulations to mean that its B\* classification is the lowest eligible rating, provided the bonds conform to other regulations concerning default, marketability, etc.

Fitch advises that its lowest acceptable rating would be BBB.

# Time-Saving Records in the Discount Department

(CONTINUED FROM PAGE 28)

teller does not attempt to enter the amount on his blotter while the customer is waiting. He merely takes out the duplicate of the note notice and marks it *Paid*, noting thereon the manner of payment, whether cash or check. He then puts this duplicate note notice on his spindle and the transaction is finished so far as the customer is concerned. This, of course, takes only a fraction of the customer's time that is taken under the other method.

This duplicate of the note notice will then contain the complete information, which can be entered on the blotter after banking hours or as time permits. There are two advantages in this. One is that the customer appreciates such quick service at the window, and the second is that many errors are eliminated because the teller is not working under the stress of hurry.

In the real estate mortgage department it is a time-saver to have *all* papers

pertaining to the mortgage filed under one cover. If, as is usually the case, the documents are in one file and the correspondence in another it is much more difficult to get the complete picture of each mortgage.

The use of a "cap" size folder of heavy manila of the expansion style, with "acco" type fasteners at the top, preserves the papers together in their proper order. On one side are filed the documents, that is the note, credit reports, appraisals, insurance policies, etc. On the other side are the miscellaneous correspondence. On the document side is a recapitulation sheet giving the titles of the different documents contained therein. The rule is that no papers shall be taken out of this file, but like all rules it is subject to exceptions. Therefore should it become absolutely necessary for any person to extract one of the papers, that person signs a receipt therefor, which receipt is inserted in the place of the paper taken out and is returned to the signer when the papers are returned. This places responsibility where it belongs and enables the tracing of papers without trouble.

## FURTHER APPLICATION

THE same principle provides a time-saving method in the general loan credit files, the only difference being that these credit files need separated divisions for the "document" side, and the note itself is not contained in the file. These "document divisions" are *Statements*, *Analysis*, *Inquiries*, *Agencies*, *Miscellaneous*. As suggested by the title, the division of *Statements* is for the filing of the financial statements given by the borrower. The division of *Analysis* contains the analyses made of those financial statements by the bank's credit department. The division of *Inquiries* is for filing copies of letters written to references given by the borrower and the replies to those letters. The division of *Agencies* is for filing reports from credit agencies. The division of *Miscellaneous* is provided for other information not included in the other divisions.

The general correspondence from the borrower pertaining to the loan line is filed on the left hand side of the folder, with a fastener at the top. In the case of the documents, however, the fastener should be on the side for obvious reasons. Accumulating all related information together in this manner really makes the filing much easier and quicker.

## LUMBERMENS FINANCIAL STATEMENT

December 31, 1935

[Bonds on amortized basis. Actual market values of all securities exceed the values used in this statement]

### ASSETS

|  |                        |
|--|------------------------|
| Cash in banks .....                            | \$3,705,487.54         |
| U. S. Government bonds .....                   | 7,605,544.33           |
| State, county and municipal bonds .....        | 2,530,508.02           |
| Canadian and other bonds and stocks .....      | 3,535,866.57           |
| First mortgage loans on real estate .....      | 1,474,239.82           |
| Real estate (including home office site) ..... | 1,138,700.00           |
| Premiums in transmission .....                 | 2,439,766.34           |
| Due on account of reinsurance .....            | 32,371.34              |
| Accrued interest .....                         | 148,815.43             |
| <b>TOTAL CASH ASSETS .....</b>                 | <b>\$22,611,299.39</b> |

LOOK AT THE AMOUNT OF CASH AND U. S. BONDS

THEY TOTAL 57% OF THE INVESTED ASSETS

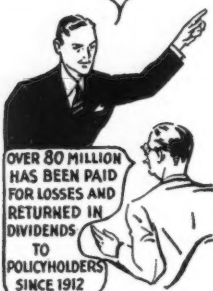


THE TOTAL ASSET FIGURE IS 15% LARGER THAN LAST YEAR

THEY HAVE SHOWN A GAIN EVERY YEAR SINCE ORGANIZATION 24 YEARS AGO



THAT SUBSTANTIAL RESERVE FOR LOSSES INDICATES CONSERVATIVE MANAGEMENT



OVER 80 MILLION HAS BEEN PAID FOR LOSSES AND RETURNED IN DIVIDENDS TO POLICYHOLDERS SINCE 1912

### LIABILITIES

|   |                        |
|---|------------------------|
| Reserve for losses .....                        | \$10,321,239.40        |
| Reserve for unearned premiums .....             | 6,215,936.00           |
| Reserve for taxes, expenses and dividends ..... | 1,991,690.96           |
| Reserve for contingencies .....                 | 1,000,000.00           |
| Total liabilities and reserves .....            | \$19,528,866.36        |
| Net cash surplus .....                          | 3,082,433.03           |
| <b>TOTAL .....</b>                              | <b>\$22,611,299.39</b> |

## LUMBERMENS MUTUAL CASUALTY COMPANY

"World's Greatest Automobile Mutual"



Home Office: Mutual Insurance Building, Chicago, U. S. A.

Insuring good risks in all classes of business

# FARMERS DEPOSIT NATIONAL BANK

OF PITTSBURGH, PENNSYLVANIA

ESTABLISHED 1832

## STATEMENT OF CONDITION, MARCH 4, 1936

### RESOURCES

|   |                 |                         |
|---|-----------------|-------------------------|
| Cash on Hand and Due From Banks . . .     | \$31,755,206.18 |                         |
| U. S. Government Securities . . . . .     | 59,480,016.30   | \$91,235,222.48         |
| Other Bonds and Securities . . . . .      | 3,620,677.41    |                         |
| Loans and Discounts . . . . .             | 8,127,966.17    | 11,748,643.58           |
| Interest Accrued on Investments . . . . . |                 | 608,276.82              |
| Bank Building . . . . .                   |                 | 4,575,177.18            |
| Other Real Estate . . . . .               |                 | 115,857.85              |
| Overdrafts . . . . .                      |                 | 61.78                   |
| Other Resources . . . . .                 |                 | 5,124.00                |
|   |                 | <u>\$108,288,363.69</u> |

### LIABILITIES

|   |                 |                         |
|---|-----------------|-------------------------|
| Capital . . . . .                             | \$ 6,000,000.00 |                         |
| Surplus . . . . .                             | 6,000,000.00    |                         |
| Undivided Profits and Reserves . . . . .      | 3,595,651.79    | 15,595,651.79           |
| U. S. Government Deposits (Secured) . . . . . | 2,605,186.92    |                         |
| Municipal Deposits (Secured) . . . . .        | 1,200,000.00    |                         |
| Other Deposits . . . . .                      | 88,759,494.43   | 92,564,681.35           |
| Reserves for Taxes, Interest, etc. . . . .    |                 | 122,906.55              |
| Other Liabilities . . . . .                   |                 | 5,124.00                |
|   |                 | <u>\$108,288,363.69</u> |

### DIRECTORS

|   |  |
|---|--|
| ARTHUR E. BRAUN<br><i>President</i>   | JAMES B. HAINES, JR.<br><i>Director, National Union Fire Insurance Co.</i>   |
| GEORGE H. CLAPP<br><i>Director, Aluminum Company of America</i>                                   | JAMES E. LEWIS<br><i>President, Harbison-Walker Refractories Co.</i>         |
| GEORGE L. CRAIG<br><i>President, Chartiers Oil Company</i>  | SIDNEY S. LIGGETT<br><i>Banker</i>   |
| MAURICE FALK<br><i>Director, National Steel Corporation</i>                                       | WILLIAM L. MONRO<br><i>President, American Window Glass Company</i>          |
| WILLIAM C. FOWNES, JR. <i>Chairman,</i><br><i>Executive Com., Spang, Chalfant &amp; Co., Inc.</i> | FRANK R. PHILLIPS<br><i>President, Duquesne Light Company</i>                |
| JOHN G. FRAZER<br><i>Member, Reed, Smith, Shaw &amp; McClay</i>                                   | ANDREW W. ROBERTSON<br><i>Chairman, Westinghouse Electric &amp; Mfg. Co.</i> |
| CHARLES W. FRIEND<br><i>Vice-President, Brownsville Coal &amp; Coke Co.</i>                       | WILLIAM WALKER<br><i>Director, Reliance Life Insurance Company</i>           |

1832

*A Century of experience in meeting the requirements of industry, has developed in this bank complete commercial banking facilities. Inquiries are invited from interested executives, regardless of their geographical location.*

1936

BEHIND THE ENDURING INSTITUTION... SUCCESSFUL CUSTOMERS

*Member of the Federal Deposit Insurance Corporation*

# The Computation of Reserves

**O**N January 1 Federal Reserve member banks were required to change their method of computing reserve balances. Regulation D, "Reserves of Member Banks", sets down certain definite changes that must be closely followed in order to comply with the new regulation.

Since many of the smaller institutions do not maintain departments to handle the compilation of reports, this extra work usually increases the duties of active officers. To assist in solving the problem bankers should study the advisability of arranging their bookkeeping departments so that part of the work can be accomplished daily to avoid the rush period on the last of the month when several reports are due. Maintaining a daily reserve record will serve to keep the bank informed of its reserve requirements as well as furnish the figures to be copied on the report at the end of the period. Inasmuch as the work involves tabulations made from the general ledger and daily statement, the general bookkeeper could compile the record with very little extra trouble.

It is suggested that two ledger sheets be inserted in the front of the general ledger entitled: Net Demand Deposits and Net Time Deposits. It must be understood that the sheets do not form accounts to be included in the ledger but merely working accounts to determine net balances. Entries on the sheets are made by machine and the posting is accomplished in the same manner as the posting of checks and deposits on the individual ledger.

For example: after the daily posting of the general ledger is completed the bookkeeper will post in the deposit column on the Net Demand Deposit sheet the following ledger accounts:

1. Demand deposits
2. Certified checks outstanding
3. Cashier's checks outstanding
4. Expense checks outstanding
5. Dividend checks outstanding
6. Due to banks (customer bank balances)
7. Demand time deposits (certificates of deposit due or past due)
8. Letters of credit and travelers' checks sold for cash (the regulation does not indicate whether the item "travelers' checks sold for cash" is to be considered as a demand deposit for the bank issuing the checks, or the bank upon which they are drawn)

By **GEORGE R. SMITH**

**Cashier, Commercial National Bank,  
Demopolis, Alabama**

9. Drafts drawn upon the Federal Reserve bank

10. Authorizations to charge the member bank's reserve account at the Federal Reserve bank

All of the above accounts, except drafts on the Federal Reserve bank and authorizations to charge at the Federal Reserve, can be posted directly from the daily statement to the work sheet entitled Net Demand Deposits, and the total of the entries make up the Gross Demand Deposits daily. When a descriptive cash book is used, the total of drafts issued on the Federal Reserve can be picked up each day from this book, together with authorizations to charge cash letters or collections.

Banks that use descriptive symbols on their general ledger accounts may copy the Federal drafts from the reserve account contained in the book or the daily totals of drafts may be obtained from the Federal Reserve draft register.

## DEMAND TIME DEPOSITS

SOME explanation is needed of Item 7 (demand time deposits) listed above and carried as a general ledger account. Page 9 of Regulation D states: "After the date of maturity of any time deposit, such deposit is a demand deposit." Banks issuing time certificates of deposit must determine the total of time deposits past due daily in order that the aggregate amount of such certificates can be added to the demand deposits requiring a reserve of 7 per cent instead of the usual 3 per cent reserve allowed on other certificates not due and payable on demand.

To accomplish this our bank made up cards from the certificate of deposit register showing the number of the certificate, the amount and the due date. These cards were filed in the note case under the correct due dates to be transferred or renewed when due. We opened an account on the general ledger entitled Demand Time Deposits, and, as the certificates were due and not renewed on their due date, we debited the certificate of deposit account and transferred the past due certificates to the account Demand Time Deposits.

In this manner we can refer to our

books and determine the total of past due certificates daily and also have this balance for the computation of our reserves. Banks that do not establish some system for determining the total of past due certificates will have to pick up each certificate daily from the register to compile the reserve report. The suggested plan saves much time and eliminates extra work by a simple arrangement of the bookkeeping system.

Deductions allowed must be posted on the Net Demand Deposit sheet in the check column. This includes the following:

1. Due from banks (all balances of correspondent accounts except balances due from the Federal Reserve bank, foreign or private banks)
2. Cash items in the process of collection (items entered as cash items by tellers to be collected from banks or presented to customers for payment)
3. Federal Reserve deferred credit accounts (checks in process of collection with a Federal Reserve bank)
4. Checks on local banks not cleared (items payable immediately upon presentation as are customarily cleared on the following business day)

The sum of the items listed above makes up the total deductions allowed and the posting of the items in the check column on the demand deposit work sheet automatically determines the net demand deposits. In using a ledger sheet for accumulating the gross demand deposits represented by itemized entries of each ledger account allowed under the heading in the deposit column on the work sheet and posting the deductions as checks on the sheet in the same manner, the balance obtained, or the difference between the gross demand deposits and the deductions allowable, is the net demand deposits subject to a 7 per cent reserve in the Federal Reserve bank.

Cash items in the process of collection (Item 2) must be taken from the tellers' cash book and represent the total of cash items held by all tellers. In this connection it will be noted that the author has separated cash items and checks on local banks held. Checks on local banks not cleared must also be listed from the tellers' cash book when banks do not maintain an account in the general ledger for such balances. By posting the accounts on the work

sheet in separate entries the book-keeper is reminded daily to include all accounts, thus making it possible for auditors to check the computations to see that the work is done correctly. As the work progresses and the plan is perfected, the items may be lumped and posted in a few entries to suit any individual bank's method.

The work sheet, Net Time Deposits, should be posted in a manner similar to Net Demand Deposits except that no deductions are made on this account. Savings deposits and time certificates of deposit are posted as credits on the account, after which the balance is brought down on the machine-posted ledger sheet.

## Readable Bank Statements

"FIGURES tell the story", says the heading on an inside page of a condition statement folder published by the Pajaro Valley National and the Pajaro Valley Savings banks, of Watsonville, California.

Under the caption is the story the figures tell—a simple, readable explanation of what significant items in the banks' statements mean to the community. The reports are as of the close of business December 31, 1934, but the date devalues neither the information which the institutions were offering nor this method of presenting it:

"The story of the economic life of the Pajaro Valley for the past year, and for the year before, is revealed in part by the figures on the opposite page. They show that there is \$4,108,000 of local money in the custody of these banks. This is a larger sum than at any previous time during the depression. It indicates the rising tide of local business; the result of the greatest lettuce deal in our history, the sale of apples, berries, vegetables and the many other crops of the Valley, and the upturn of local retail trade. It means more abundant cash reserves for the people of the Pajaro Valley—another way of saying greater security and happiness for all.

"But deposits are not the only figures of a bank statement with an interesting story to tell. 'Loans and Discounts' this year come to the high figure of \$2,246,966. This amount tells of homes being built and repaired, of

goods being moved to market, of new stocks of wares on the shelves of merchants, and of one-hundred-and-one other beneficial uses to which bank loans are put.

"Now what about the bank itself? What of its strength, its safety?

"Securing every dollar deposited here are the total resources of the banks, \$4,754,056.19. These resources are loans, \$2,252,479.28, adequately secured; United States Government, municipal, and high grade corporation bonds, \$772,870.34; cash \$762,014.53; banking house, furniture and fixtures, \$76,246.51; and other assets, \$133,-

966.31. But most important of all, are the sound banking policies and principles which underlie the bank's operations, policies its management have followed for the 46 years of the bank's existence. These principles say in effect—The function of this home bank is to conserve for productive use the wealth of this country by safeguarding funds and putting local money to local use through sound loans to business enterprises.

"The Pajaro Valley Bank invites your account and extends to you its cooperation.

"W. N. CUMMING, President."

1863



1936

## FACTORS *which make the* FIRST NATIONAL *a desirable Correspondent* in CHICAGO

The experience gained in more than seventy years of conservative banking. Complete facilities, with an organization coordinated to render prompt and efficient service.

The day-to-day value of an account with a bank, which since 1863 has had the business and the confidence of many of the best known banks, firms and corporations.

Correspondents are invited to use the comprehensive facilities of this complete banking organization.

## The First National Bank of Chicago

Member Federal Deposit Insurance Corporation

## Even on Sundays

**M**R. HASKELL, vice-president of the Interior Trust Company, looked with a somewhat puzzled air at the reporter seated beside his desk.

"You ask me," he said, "whether I can recall some unusual service we have performed for a customer. Well, almost every account occasionally leads us into unusual by-ways, but it is all in the line of duty, as they say in the army, and those things don't seem unusual when you are doing them."

"What might seem normal to you might not seem ordinary to the public, Mr. Haskell," remarked the reporter.

"Well, there was something of the unusual, now that I recall it, in the case of one of our customers who died last week," said Mr. Haskell. "Maybe it won't interest you, but I'll tell the story anyway."

"The customer was an old lady, whom I shall call Mrs. Scott. She had been a depositor for almost as many years as

this bank has been in business. She was the widow of a Civil War veteran and lived in a suburban house of her own, filled from cellar to attic with beautiful antique furniture, war mementos, old books and knick-knacks. She had a fairly comfortable fortune, mostly invested in bonds, and a checking account with us which we were very glad to have. She always did her business with me and came to see me regularly up to a few years before she died.

"It was in 1928, as I remember, that we first noticed she was becoming incompetent to handle her affairs. She was then eighty-eight. After much persuasion, and after agreeing that I would supervise her affairs personally, which she insisted upon, she consented to transfer her investments to the bank's charge. There were about \$30,000 of securities. I took over the payment of her bills, including the salaries of her hired companion and her servants, opening an account in another bank so as to draw checks with power-of-attorney which she gave me. You know it isn't ethical for a bank officer to have a power-of-attorney over the account of a customer in his own bank.

"For eight years I had to make frequent trips to her home. On one occasion she wanted to buy a new coat, but wouldn't do it without my advice. I



## NET COST: \$100,000,000

The shrewd, clever forger—skilled in his "profession" and equipped with the latest laboratory facilities, easily adds or changes figures on checks—to the tune of \$100,000,000 annually. Seldom is the loss recovered, even though the forger may be caught and placed behind bars. There has never been invented a "system" that a good forger cannot beat. Only one protection is sure . . . good forgery insurance. • Recommend to your depositors that they place their faith in a forgery bond written in the Standard of Detroit. This 52 year old organization now serves over a million persons. More than \$145,000,000 has been paid promptly in claims. In every part of the nation, Standard serves, day and night, through 6500 experienced representatives. • Your depositors' safety and yours depend upon insurance against the forger's skill. Consult a Standard representative today.

Standard writes Safe Deposit Box Burglary and Robbery Insurance, Bank Burglary and Robbery, Messenger Robbery (outside holdup), Bankers' and Brokers' Blanket Bonds, Forgery Bonds, and all other forms of Casualty Insurance and Fidelity and Surety Bonds.

52 YEARS OF SERVICE

**STANDARD ACCIDENT INSURANCE COMPANY**

Over \$145,000,000 paid in claims **of Detroit** 6500 Agents throughout America

### INJUNCTION

Judge Wheat of the District of Columbia Supreme Court, who granted an injunction restraining the telegram search of the Black Lobby Committee



BANKING

persuaded her that she had some serviceable coats and didn't need a new one. She was as tight as a drum in her finances and the strongest argument with her was economy. On another occasion I had to go out and fire all the servants and hire new ones. This wasn't particularly pleasant, for some of them got impudent and told me they understood the situation perfectly: I was 'getting something' at the expense of the old lady's fortune. It made me feel bad because we were not charging up anything except what we charged all customers. Every time I went to see her it cost me \$2, out of my own pocket. Still, that's neither here nor there.

"She would get suddenly ill, and send for me, even on Sundays. During one of her illnesses I wanted to call a specialist, but she objected because of the expense. I got one there anyway, and he asked me afterward what he should charge. I told him the old lady was living on a small income which we were trying to make last as long as possible. In that case, the doctor said he would charge only \$35 instead of his usual \$75. She wouldn't pay that, so part of it came out of me.

"Things didn't look so good in the securities markets to me in 1929 and 1930, and in view of Mrs. Scott's extreme age—she was past 90 then—we placed the \$30,000 securities in annuities and got extremely high returns because of her age. This proved to be a wise step, for she outlived by one year the

actuarial calculations upon which insurance averages are based.

"Well, Mrs. Scott died last week, at 96. They called me when she was dying. She requested that her funeral be held from her home and that involved me in an argument with the local church. They said so many townsmen wanted to come that there would not be room at the house.

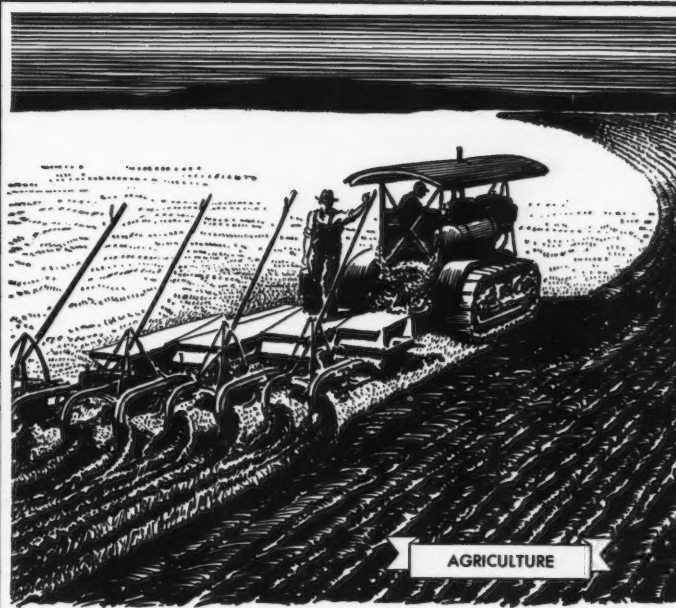
"She was buried from her home. I ordered fifty chairs, but only eleven persons came, of which I was one. She left the entire contents of her home to me. I have a home, and all the antiques and furnishings I need. So I turned hers

over to the church, to do with as it saw fit.

"I kept one little memento of the years I had looked after Mrs. Scott in the capacity of banker, guardian and housekeeping supervisor. It is a copy of *Godey's Lady's Book*."

Mr. Haskell took the volume from his desk, carefully unwrapped it, exhibited one of the colored plates, and carefully tucked it in his drawer again.

"Well," he said, "I guess that's all there is to the story. Nothing very remarkable about it; just a few pages from our daily lines of duty. Maybe the next time you're in we'll have a better story."



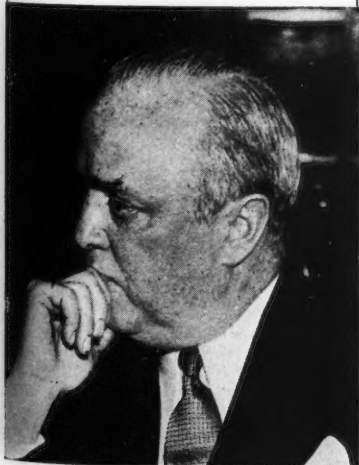
A COMMERCIAL BANK THAT AFFORDS  
ITS CORRESPONDENTS CLOSE CONTACT  
WITH EVERY IMPORTANT INDUSTRY

**CONTINENTAL ILLINOIS  
NATIONAL BANK AND  
TRUST COMPANY**  
OF CHICAGO

Member Federal Deposit Insurance Corporation

#### SENATE HEARING

C. V. McKaig, vice-president, Carnegie-Illinois Steel Corp., listening to testimony at the Senate Interstate Commerce Committee hearing on the anti-basing point bill



HARRIS & EWING

# CALENDAR

## The 1936 Convention

THE dates for the 1936 Annual Convention of the American Bankers Association at San Francisco are September 21 to 24, inclusive. The St. Francis Hotel has been selected as headquarters.

Officials of the general Convention Committee of San Francisco bankers in charge of the arrangements are:

Chairman, C. K. McIntosh, president, The Bank of California N. A.; vice-chairman, R. D. Brigham, vice-president, The Anglo California National Bank of San Francisco; secretary-treasurer, F. H. Colburn, manager, The San Francisco Clearing House.

Chairmen of the various special committees follow: Auditing Committee, C. R. Kranz, cashier, Canadian Bank of Commerce; Golf Committee, Harris C. Kirk, vice-president, American Trust Company; Hotel Committee, Russell G. Smith, cashier, Bank of America, N. T. & S. A.; Publicity Committee, G. W. Wickland, assistant cashier, Wells Fargo Bank & Union Trust Company; Registration Committee, W. D. Lux, vice-president, Crocker First National Bank.

## Spring Meeting

APRIL brings the annual Spring Meeting of the Executive Council, American Bankers Association. The gathering place this year is The Homestead, Hot Springs, Virginia, and the dates are April 27-29, inclusive. Some 300 bankers and members of their families usually attend.

## Banking as a Career

ROBERT V. FLEMING, President of the American Bankers Association, was made an honorary member of Washington Chapter, American Institute of Banking, at the chapter's annual banquet on February 22.

Expressing his appreciation of the honor, President Fleming praised the work of the Institute and of Dr. Harold Stonier, its Educational Director.

"In my opinion," said Mr. Fleming, "Dr. Stonier is making a great contribution to our national life for, after all, a sound banking structure must be based not only upon the character and intelligence of the men and women who are to manage and operate our banks, but upon their having a thorough understanding of banking fundamentals as well."

The Institute, he continued, offers "a valuable key to the ultimate solution of many of our problems, since its sole objective is to improve banking through the education of both bankers and bank customers. In all questions affecting banking welfare, the best interests of the bank and its customers should be synonymous.

"During the trying period through which we have been passing some have become discouraged as to the future of banking as a career. I am one who does not share that pessimism. My reason for being optimistic is that I believe banking in America today rests upon a sounder foundation than ever before in the history of our country. There is more thorough knowledge of banking than has ever existed before. The instrumentalities of government have now made available statistics which enable us to analyze situations in the light of these accurate and reliable facts and avoid the difficulties incident to acting upon mere guesswork as would be neces-

sary in the absence of the results of such research."

## Key Banker Directory

THE Agricultural Commission, American Bankers Association, has issued a national directory of county key bankers, numbering 2,385 local bankers active in its agricultural work. The directory also gives the committees of the state bankers associations cooperating with the extension service of the colleges of agriculture and the Commission.

"The conservation of soil resources—our primary source of wealth—has become a pressing national problem," the Commission says in a foreword. "With 100 million farm acres already abandoned, and another 100 million acres headed in the same direction, conditions are fast approaching a national emergency. The Commission is recommending soil conservation as a national project for banks during the ensuing year in their efforts to cooperate with agricultural interests.

## CONVENTIONS AND MEETINGS

| A. B. A. Meetings  |  |           |  |
|--------------------|--|-----------|--|
| Apr. 2-3           | Midwest Conference on Banking Service, Stevens Hotel, Chicago, Illinois  | May 7-8   | Oklahoma Bankers Association, Mayo Hotel, Tulsa  |
| Apr. 27-29         | Spring Meeting of Executive Council, The Homestead, Hot Springs, Virginia  | May 15-16 | New Mexico Bankers Association, Raton  |
| June 8-12          | 34th Annual Convention of the American Institute of Banking, Olympic Hotel, Seattle, Washington                          | May 19-20 | Mississippi and Tennessee Bankers Associations (Joint Convention), Memphis, Tennessee          |
| June 22-July 3     | Graduate School of Banking, Rutgers University, New Brunswick, New Jersey  | May 19-21 | Texas Bankers Association, Rice Hotel, Houston   |
| Sept. 21-24        | A. B. A. Convention, St. Francis Hotel, San Francisco, California  | May 20-21 | South Dakota Bankers Association, Aberdeen   |
|                    |  | May 20-22 | California Bankers Association, Hotel Senator, Sacramento                                      |
|                    |  | May 20-22 | Pennsylvania Bankers Association, Traymore Hotel, Atlantic City, New Jersey                    |
|                    |  | May 21-22 | Alabama Bankers Association, Jefferson Davis Hotel, Montgomery                                 |
| State Associations |  | May 21-22 | Arkansas Bankers Association, Arlington Hotel, Hot Springs                                     |
| Apr. 13-14         | Louisiana Bankers Association, Hotel Francis, Monroe   | May 21-22 | Indiana Bankers Association, Claypool Hotel, Indianapolis                                      |
| Apr. 21-23         | South Carolina Bankers Association, Highland Park Hotel, Aiken   | May 21-22 | Maryland Bankers Association, Marlborough-Blenheim Hotel, Atlantic City, New Jersey            |
| Apr. 23-24         | Georgia Bankers Association, The Bon Air Hotel, Augusta  | May 21-23 | New Jersey Bankers Association, Ambassador Hotel, Atlantic City                                |
| May 4-6            | Kansas and Missouri Bankers Associations (Joint Convention), Hotel President, Kansas City, Missouri                      | May 25-27 | Illinois Bankers Association, St. Louis, Missouri  |
| May 5              | Annual Pre-Convention Dinner Meeting, District of Columbia Bankers Association, Columbia Country Club, Washington, D. C. | May 27-28 | Ohio Bankers Association, Cleveland (Tentative)  |
| May 7              | New Jersey Savings Banks Association, Greenbrook Country Club, North Caldwell, N. J.                                     | May 28-31 | District of Columbia Bankers Association, The Greenbrier, White Sulphur Springs, West Virginia |
|                    |  | June 1-3  | Iowa Bankers Association, Des Moines   |

"Key bankers can render a valuable service by pointing out that farm mortgages are safe only where the upper surface of the soil is handled so as to protect it from water or wind erosion. Key bankers can also arrange for county or group meetings where such information can be given to farmers, bankers and other business men. Meetings of bankers, accompanied by interested farmer customers, give an opportunity to present the problem and encourage organized cooperation in harmony with the program already adopted by the Extension Service."

A booklet on "Protecting Investment Values in Land" has been prepared by the Commission to aid in furthering this project.

## A Sea-Going Convention

THE North Carolina Bankers Association goes to sea this year for its 40th annual convention. Sailing from Norfolk for Bermuda on Sunday, June 7, the bankers will hold their sessions aboard the steamship *Reliance* during the outward and homeward bound voyages.

A meeting of the executive committee and an officers' reception are scheduled

for the first evening. On Monday, June 8, come the first business session of the convention, meetings of the trust and industrial bank sections, election of officers, a program of deck sports, and the annual banquet.

Arriving in Bermuda Tuesday morning, the delegates will spend the day in sight-seeing and entertainment. The return trip starts on the afternoon of the 10th. The final convention session and installation of officers will be held the following day. The ship is due back in Norfolk on the morning of June 12.

## Auditors and Comptrollers

THE Louisville Association of Bank Auditors will be host to the Second Mid-Continent Regional Conference

### WEST VIRGINIA BANKERS

THE West Virginia Bankers Association has changed the place of its June 26-27 meeting to The Homestead, Hot Springs, Virginia. (It was originally scheduled for White Sulphur Springs, West Virginia.)

of Bank Auditors and Comptrollers, to be held at the Brown Hotel, Louisville, Kentucky, May 8 and 9. The general committee in charge of the conference arrangements comprises: Hugh E. Powers, Lincoln Bank and Trust Company; J. H. Wallingford, Fidelity and Columbia Trust Company; Arthur Raeuchle, Liberty National Bank and Trust Company; Elmer Ries, First National Bank; and William J. Clark, Citizens Union National Bank. An interesting program is being prepared.

## Safe Deposit Convention

THE National Safe Deposit Association holds its 1936 annual convention at the Coronado Hotel, St. Louis, May 21-23. Persons prominent in this field of banking service have been chosen to address the delegates, many of whom are expected to come from the western, northwestern and southern states because of the location of the convention city.

The St. Louis Safe Deposit Association will be host to the convention. Joseph J. Reynolds, of the Mercantile-Commerce Bank and Trust Company, is general chairman.

(CONTINUED ON PAGE 72)

|            |  |         |   |            |  |
|------------|--|---------|---|------------|--|
| June 11-13 | Massachusetts Bankers Association, New Ocean House, Swampscott   | Apr. 25 | Quarterly meeting of Regional Clearinghouse Association No. 4, New Mexico Bankers Association, Albuquerque                              | May 30     | Junior Bankers Section, Arkansas Bankers Association, Annual Educational Conference, Pine Bluff                                      |
| June 12-13 | Oregon Bankers Association (Tentative)   | May 4.  | Groups Three and Four, Iowa Bankers Association, Oelwein  | June 6     | Group Four, Colorado Bankers Association, Durango  |
| June 18-20 | Virginia Bankers Association, The Cavalier Hotel, Virginia Beach   | May 5   | Groups Seven and Eight, Iowa Bankers Association, Muscatine   | June 10    | Group Five, Colorado Bankers Association, Alamosa  |
| June 19-20 | Colorado Bankers Association, Colorado Hotel, Glenwood Springs   | May 6   | Groups Six and Ten, Iowa Bankers Association, Ottumwa   | Sept. 3-4  | Savings Bank Association of Maine, Breakwater Court, Kennebunk Port, Maine   |
| June 22-23 | Utah Bankers Association, Bryce Canyon   | May 6   | Group Six, New York State Bankers Association, Nelson House, Poughkeepsie   |            |  |
| June 22-24 | Wisconsin Bankers Association, Hotel Schroeder, Milwaukee  | May 7   | Groups Five and Nine, Iowa Bankers Association, Atlantic  | Apr. 17-18 | Eastern Regional Conference of the National Association of Bank Auditors and Comptrollers, Lord Baltimore Hotel, Baltimore, Maryland |
| June 26-27 | Wyoming Bankers Association, Casper  | May 8   | Groups One and Two, Iowa Bankers Association, Sac City  | Apr. 20-22 | Reserve City Bankers, Edgewater Gulf Hotel, Biloxi, Mississippi  |
| June 26-29 | Michigan Bankers Association, Grand Hotel, Mackinac Island   | May 8   | Group One, Colorado Bankers Association, Boulder  | Apr. 27-30 | United States Chamber of Commerce, Washington, D. C.   |
| July 1-3   | Minnesota Bankers Association, Duluth Hotel, Duluth  | May 9   | Group One, New York State Bankers Association, Statler Hotel, Buffalo   | May 2-4    | The Associated Business Papers, Inc., The Homestead, Hot Springs, Virginia   |
| July 24-25 | Montana Bankers Association, Old Faithful Inn, Yellowstone National Park   | May 13  | Group Two, Colorado Bankers Association, Pueblo   | May 8-9    | Second Mid-Continent Regional Conference of Bank Auditors and Comptrollers, Brown Hotel, Louisville, Kentucky                        |
|            |  | May 18  | Group Five, Wisconsin Bankers Association, Watertown  | May 13-15  | National Association of Mutual Savings Banks, Hotel Traymore, Atlantic City, New Jersey  |
| Apr. 9     | Westchester Clearing House Association   | May 19  | Group Two, Wisconsin Bankers Association, Wisconsin Dells   | May 13-17  | Spring Meeting of the Board, Investment Bankers Association, White Sulphur Springs, West Virginia                                    |
| Apr. 9-11  | First Annual Pacific Northwest Conference on Banking, State College of Washington, Pullman, Washington   | May 20  | Group Seven, Wisconsin Bankers Association, La Crosse   | May 21-23  | National Safe Deposit Convention, Coronado Hotel, St. Louis, Missouri  |
| Apr. 14    | Joint Meeting Columbia County Bankers Clearing House Association and Greene County Clearing House Association, Hotel General Worth, Hudson, New York | May 21  | Joint Meeting, Nassau County Bankers Association and Nassau County Clearing House Association, Garden City Hotel, Garden City, New York |            |  |
| Apr. 22    | Group Two, Nebraska Bankers Association, Fremont   | May 22  | Group Six, Wisconsin Bankers Association, Clintonville  |            |  |
| Apr. 22    | Group Three, Nebraska Bankers Association, Norfolk   | May 23  | Group Three, Wisconsin Bankers Association, Appleton  |            |  |
|            |  |         | Group Three, Colorado Bankers Association, Grand Junction   |            |  |

# Employee Thrift

INFORMATION about the extent of company plans for stimulating thrift and investment among employees has been made available through a survey of industrial relations policies conducted by the National Industrial Conference Board.

The investigation covered 2,452 business establishments in manufacturing, mining, transportation, communication, wholesale trade, finance and public

utilities. The employment represented totaled more than 4,500,000, or 15 per cent of all persons gainfully occupied in the industries canvassed.

In 387, or 15.8 per cent of the companies covered by the survey, savings plans are in force whereby the employer aids in systematic saving by deducting a specified amount from the pay of each employee, with his consent, and depositing it to his account in a bank.

More than 1,500,000 persons work for companies having this plan.

Building and loan associations are in operation in 96 of the concerns, and other home purchase plans are reported by 88.

Plans to assist employees in purchasing stock of the company are reported by about 7 per cent of those surveyed.

Credit unions, which are associations of employees for the purpose of stimulating thrift and providing a source of credit for members seeking to borrow limited sums, are available in 278 companies employing about 1,500,000 workers.

## THE SPREAD OF THRIFT PLANS

THRIFT plans are provided in greater proportion in large companies than in small ones, this being especially true for credit unions, home purchase arrangements and savings plans. The last named thrift channel is being used by practically one-third of the rubber manufacturing companies, mercantile establishments, and gas and electric companies. The proportion of companies with credit unions is largest in these groups: agricultural implements, food products, public utilities, petroleum refining, and wholesale and retail trade.



## A BETTER MORTGAGE RISK

when metals *that cannot rust*  
are used in building

Rust not only exacts periodic toll from a homeowner's pocketbook; it lowers the value of his property over a period of time. But copper, brass and bronze, which outlast rustable metals by many years, repay their slight extra cost many times over in length of reliable, *expense-free* service.

It is axiomatic that the better a house is built, the more desirable it becomes as an investment, and as a risk for mortgage money. Thus details of construction take on special meaning for the mortgagor when they include such materials as: brass or copper plumbing and heating lines, copper sheet metal work, bronze screens, bronze hardware, and a hot water tank of Everdur Metal.



THE AMERICAN BRASS COMPANY

General Offices: Waterbury, Connecticut

Offices and Agencies in Principal Cities

ANACONDA COPPER & BRASS

## LEAGUE

Stanley M. Bruce of Australia, who as president of the League of Nations Council called the meeting that considered the Rhineland move of Germany



BANKING

## Reconstructive Public Relations

(CONTINUED FROM PAGE 21)

Generally, the borrowers understood this viewpoint and were greatly appreciative of the bank's desire to be reasonable. The previous management, they indicated, had taken a different attitude—in fact, it had been difficult to see the president—and they really hadn't cared whether they made good their obligations or not.

All this took time. Meanwhile, as conditions improved the bank's business grew. When it had reached a level that seemed reassuring the president called in a few of the larger depositors and showed them the gain. He also told them what he was doing with the investment account, and what still remained to be done. They were pleased at these confidences, and impressed by the progress made. They remarked to their friends that the bank was sound. New accounts were received.

As the improvement continued, the president took another step. He began publishing condition statements quarterly, regardless of call requirements. Copies were sent to a selected list of depositors, and with each a printed card signed by the president, calling attention to the growth, and reminding the depositor that he, as a customer, had had a part in it.

### NEWSPAPER CONTACT

EACH time a condition statement is issued the newsmen are called in and the president interprets it for them. He does not attempt to write their stories, nor tell them what to write; he merely gives them the facts. He prefers to keep his own name in the background, and the authority for all news is usually the bank rather than himself or any other individual.

Members of the staff hold frequent meetings at which suggestions for improving the service are discussed. The personnel is encouraged to read and study, for the institution believes that bankers should be educated as well as trained and that it should be concerned with the welfare of the men and women who, to the public, are the bank. The institution's policy has been to protect its personnel against salary reductions when other economies can be effected.

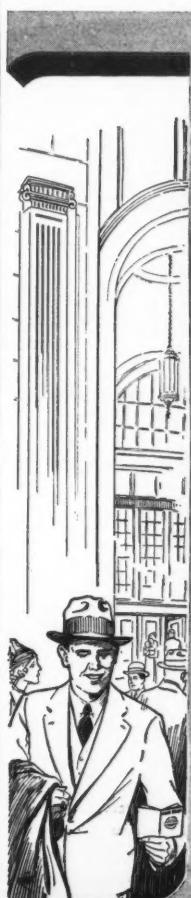
The attitude toward the stockholders is this: "You put your money into our institution in good faith and in expectation of dividends. We must protect you to the best of our ability. Capital had a large part in the development of this country. We believe it is still essential."

The public, says the head of this bank, is entitled to understandable information about banking problems. It is, of course, impossible always to do what a customer asks, but the bank can and does listen to the individual's story, helps analyze his problem and tries to make clear that what is bad business for the bank is in reality bad business for him, too.

This requires time and effort. But, says this banker who has dealt with

thousands of individuals in the past 20 years, there is no short cut or slide rule for dealing with people. It is the most taxing task in the world. It requires patience, forbearance and skill. It is grounded in sincerity, kindness and good will.

And every now and then there is received an extra dividend in the form of a new friendship which more than repays for all the trials and disappointments encountered.




# TODD

## DEPOSITORS

### WHAT ABOUT THEM?

Depositors today including those who pay service charges look to their bank for superior service. In this service they logically expect not only safe, good-looking checks, such as Super-Safety or Protod-Pantagraph, but also durable, good-looking pass books and check book covers. ANTIQUE MOORISH pass books and check book covers possess a genuine value that appeals to bank depositors. Ask the Todd man to show samples from representative banks. Offices located in principal cities. Country-wide imprinting service.

The Todd Co., Inc.  Rochester, N.Y.

# ANTIQUÉ MOORISH

## PASS BOOKS AND CHECK BOOK COVERS

Super-Safety Checks • Pass Books and Check Covers • Protod-Pantagraph Checks  
Registered Protod-Greenback Checks • The Protectograph • Check Signers

# Service Charges on F.H.A. Loans

**A**LTHOUGH thousands of banking institutions have qualified to make insured loans under the Federal Housing Administration plan, many of them are not making any particular effort to obtain the loan accounts.

Some banks seem to prefer the old method of financing home mortgages because the interest rate is somewhat higher than the maximum allowed on F.H.A. paper. Other bankers contend that the handling of F.H.A. loans is a

nuisance. Nevertheless, the writer has been unable to find on the market any paper bearing a Government guarantee with a yield of 5 per cent, except F.H.A. Title II mortgages.

Double security is pledged for all Title II loans. The lending institution is secured by a first mortgage on the house plus a Government guarantee that the mortgage will be paid with at least 3 per cent interest in case the mortgagor fails to discharge his debt in the required

time. Furthermore, all cost of foreclosure is borne by the F.H.A.

Bankers might well consider the service charge as an added source of profit on F.H.A. paper.

The question might be asked: Which is more profitable to banks, exchange on collections or service charge on F.H.A. loans? Collection exchange varies in many sections of the country and only in clearinghouse groups will this charge be found uniform. Exchange charges range from  $\frac{1}{12}$  of 1 per cent per \$100 to 25 cents per \$100, with a minimum charge of 25 cents for each collection handled by a bank.

The service rendered on collections embraces, of course, entry of collections on the register, issuance of exchanges to owners or crediting of collection proceeds to account of correspondents, and presentation or notification on all items.

How much would a bank earn for this service on a collection item of \$43.45, which is the total monthly payment on an F.H.A. loan case involving a principal of \$4,650 over a period of 20 years? Under the schedule listed above, the institution would receive only 25 cents for handling the \$43.45.

## SERVICES PERFORMED


THE services rendered in crediting F.H.A. loan payments are briefly as follows: Entering principal and interest, crediting a trust account on ledger with total of payments held, and crediting the service charge account with the amount of the monthly charge included in the payment.

The monthly instalment of \$43.45 would be split and credited according to the amortization schedule, which requires the making of four entries, including a deposit for the amount of funds held for obligations not due. For this service the lending institution would receive, in the instance used here, \$1.91 for handling the payment of \$43.45. During the first year the bank would receive \$22.92 in service charges alone.

The charge decreases with the principal amount of the F.H.A. loan annually. In this case the service fee diminishes approximately 7 cents a year over the 20-year period. The charge is computed at  $\frac{1}{2}$  of 1 per cent of the unpaid principal amount of a Title II loan.

GEORGE R. SMITH

Cashier  
Commercial National Bank  
Demopolis, Alabama



**ESTABLISHED MARCH 24, 1933**

☆

**RESOURCES EXCEED**

**\$325,000,000**

☆

**NATIONAL BANK**

**OF DETROIT**

**DETROIT, MICHIGAN**

**Member Federal Deposit Insurance Corporation**

## GMAC

GENERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, LA SALLE, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUXHALL, OPEL, BLITZ—foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise. Capital employed is in excess of \$80,000,000, supplemented principally by short term borrowings.

In obtaining such short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



These NOTES are available, in limited amounts, upon request.

EXECUTIVE OFFICE NEW YORK BRANCHES IN PRINCIPAL CITIES



The comfort angle is only half the story . . .

*Let us tell you why the profit angle is  
just as vital in connection with*

## KELVINATOR AIR CONDITIONING

AIR conditioning has not swept the country merely because it has made people comfortable in hot weather.

It is being installed in banks, stores, offices, hotels, places of amusement—and even in residences—because there is no longer any doubt that properly designed and efficiently installed equipment pays real dividends.

In fact, as far as Kelvinator is concerned, no installation of our equipment is recommended unless our engineers are convinced in advance that the installation will prove to be a profitable investment.

This policy, rigidly adhered to, has resulted not only in satisfied users, but in truly amazing

stories of increased business and profits following the installation of Kelvinator equipment.

In your capacity of financial counsel to your many depositors and customers you undoubtedly are often questioned concerning the advisability of air conditioning. In this connection we would like you to remember Kelvinator's policy—and the fact that a Kelvinator survey, which costs nothing, will give you a clear picture, regarding increases in business and profits which may be expected.

Any Kelvinator dealer will gladly supply such air conditioning surveys. Kelvinator Corporation, Detroit, Michigan. Factories also in London, Ontario, and London, England.

# Kelvinator

AIR CONDITIONING FOR PROFIT



## It Might Have Been Prevented

THE fact that it wasn't prevented was due, said the police and the insurance company, to a number of things within the bank's control.

This is what happened:

The teller arrived for duty at his usual hour, 7:30 A.M., said "Good Morning" and "Goodbye" to the night watchman, and went efficiently about the tasks preparatory to the bank's opening, scheduled for 15 minutes later. The hour was unusual, but most of the

institution's customers were commuters and it made a point of accommodating them on their way to the station.

The teller took about \$5,000 from the safe. He was stacking it in the cash drawer when two men strolled in. They wanted some information. Specifically, did the bank know a certain individual who, they believed, lived in the town, and if so, where did he live and what was his business? No, the bank didn't have the information. That, said the

callers, was unfortunate; perhaps the young man didn't know what a gun looked like, either. Well, the next time he might be informed on that point. Immediately he was staring at two.

The bandits ordered the teller to the rear of his cage. While one kept him covered, the other tried to enter a door at the left of the cage, but it was locked. Then the man went to the front of the bank, tried a door leading to the officers' desks, found it open, and executed a flank movement that gave him access to the inside of the first door, which he unlocked. His accomplice came through and together they bound and gagged the teller, collected the \$5,000 and ran.

"Unquestionably," the insurance company said, "an appalling lack of proper and necessary equipment, plus a poor operating system, were the causes of the bank's being successfully victimized."

"The amount of cash which the teller removed from the safe, at such an early hour, for the conduct of business, certainly was excessive. Also, it was particularly hazardous, considering the fact that there was only one man on duty in the bank at the time."

"If the bank felt that it needed such an amount on hand, it should have placed a part of the cash in a locked safe deposit box and made withdrawals as occasion demanded."

### *For out-of-town banks a service that goes* **BEYOND ROUTINE**



The Northern Trust Company believes that correspondent banking relationships should be characterized by more than routine efficiency. It is a traditional rule here to accord every customer problem unhurried, individual attention. That is one reason why this 46 year old institution is privileged to serve so many of the nation's leading banks with its complete facilities. If you are seeking a Chicago correspondent, your inquiry is invited.

## THE NORTHERN TRUST COMPANY

NORTHWEST CORNER LA SALLE AND MONROE STREETS, CHICAGO

*Member of Federal Deposit Insurance Corporation*

### HOUSING

Richmond H. Shreve, chairman of the housing committee of the American Institute of Architects, which is taking a leading part in a national small homes program



## SAN FRANCISCO

*As Filed with the New York Insurance Department*

*Note: Included in the assets listed above for each of the companies are the values of the securities deposited with officials of various States*

67

## 400 Graduate Students

APPLICATIONS for enrollment in the 1936 resident session of the Graduate School of Banking are being received at a rate that apparently assures a capacity student body of 400 when classes begin on June 22.

The school, started last Summer at Rutgers University, New Brunswick, New Jersey, is an extension of the American Institute of Banking. Two hundred twenty bank officers took the two weeks' course in 1935, and provision

is being made for approximately twice that number this year. Several instructors have been added to the faculty.

The field covered by the school's courses of instruction, which are designed to offer a comprehensive approach to an advanced study of the various administrative problems in banking, trust, and investment institutions, has been somewhat broadened, chiefly by the enlargement of the economics department and provision for

a course on administrative problems in credit extension.

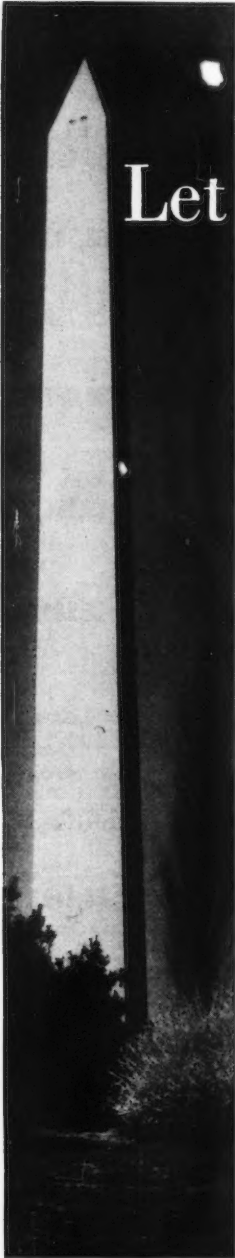
The latter, known as Banking V, will consider practical matters confronting commercial bank officers in the daily performance of their duties.

"Attention will be given," says the catalogue description, "to the methods used in analyzing a prospective borrower's financial condition and in arriving at a conclusion, as well as the manner of conveying the decision, favorable or otherwise, so that it will be beneficial to both applicant and bank. Stress will be placed on the concept that a bank is a quasi-public institution and that, as such, its duty frequently lies beyond a mere yes or no to a seeker of bank credit. Specific cases will be presented to the student, together with facts and figures which will re-create as accurately as possible the conditions that surrounded the case at the time the loaning officer was called upon to make his decision. The steps taken, the conclusion reached, and the ultimate working out of the case will be discussed.

"The problem of bank credit is becoming more and more impersonal and therefore must place greater reliance upon an analysis of the facts of the enterprise and upon an analysis of the economic cycle, of trade developments, and of trade tendencies. Direct recording and analysis can be, and in a great degree has been, devised to bring these factual items into proper focus for sound understanding. Throughout the course emphasis will be laid upon the use of such materials and methods in the cases under consideration. The growing function of the credit man is to recognize credit ills, to suggest correctives, and to bring industry into sound health.

"In view of the fact that the credit extension policies of individual banks are in part determined by interbank action, a portion of the course will be devoted to a consideration of credit regulations and control through clearing house and other bank organizations. Credit inquiry services will also be considered."

Recent national legislation in the banking field makes it imperative to study regulations of the Board of Governors of the Federal Reserve System affecting credit control. In this part of the course attention will be directed to the discretionary powers resting in the Federal Deposit Insurance Corporation and the Reserve System under the Banking Act of 1935.



## Let Your Customers Benefit From Your Washington Connection

To those customers of your bank who may come to Washington quickly on any one of fifty different missions, The Riggs National Bank may be able to render a really helpful service.

Our location in Washington makes it natural that we keep in close touch with national affairs, particularly those affecting banking.

### THE RIGGS NATIONAL BANK of WASHINGTON, D. C.

ROBERT V. FLEMING, President and Chairman of the Board.  
GEORGE O. VASS, Vice President and Cashier.

*Resources \$100,000,000    Established 1836  
Member Federal Deposit Insurance Corporation*



## *A Tranquil City on the Last Frontier—*

Science has penetrated deep into the physical universe—astronomy, physics, chemistry, have given knowledge that is reflected in the modern miracles of light, power and transporation.

But man is still unknown. Subject to the stresses of modern life he reacts in unpredictable ways. Human nature is truly the last frontier.

Yet on this last frontier National Surety Town is a tranquil city. In

it, employer and employe live in mutual security. And it is a great city, for those protected by National Surety Bonds, with their dependents, equal the combined populations of Chicago and Philadelphia.

National Surety representatives everywhere are selling Fidelity protection to business, industry and banking—plus protection against forgery, burglary and many other dangers.

**NATIONAL SURETY CORPORATION**  
VINCENT CULLEN, PRESIDENT

*New York City*

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# Bank Income and Expenses

**M**ORE than a third of the New England reporting member banks showed higher gross current income from banking operations in 1935 than in 1934, says an analysis of the operating costs of 265 member institutions in the First Federal Reserve District grouped according to percentages of time deposits to gross deposits.

The study, made by the Federal Reserve agent's department of the Boston bank, also shows that net current earn-

ings, before capital gains, losses and charge-offs, made an even more favorable record than did gross income, measured in actual dollars, for nearly half of the reporting banks had gains over 1934.

The showing in gross was accomplished despite lower interest rates received on new loans and investments, the analysis states, pointing out that a steady growth in income from sources other than interest contributed. Service

charges on deposits alone rose from a negligible figure in the 1920's to 3.7 per cent of gross in 1935. There was a marked contrast between the interest return received by Boston banks and those outside "where rates charged customers are much less flexible than in the money centres. It is notable that even in 1935 the average return on old and new loans together was 5.5 per cent outside of Boston as compared with 3.3 per cent in Boston banks." Few banks anywhere, observes the analysis, "could survive if their entire loan portfolios were based upon rates now current in the open markets."

As for net current earnings, elimination of interest paid on demand deposits and reduced rates on time deposits "more than counter-balanced larger amounts paid out in wages and in some other operating expenses, the dollar aggregate of which rose in over half of the banks during 1935."

"Net current operating earnings of the reporting New England banks," observes the study, "have reflected a remarkable degree of stability throughout the six years of depression just completed. At their worst they dropped to only 21.6 per cent of total current income in 1930, taking all country banks as a whole; in 1935 they rose to 27.5 per cent—the highest proportion since comparable figures were first collected in 1928. As indicated above, this was due largely to reduced interest payments on deposits and to development of other sources of income. The less flexible operating expenses, although curtailed at times in actual dollars during the past six years, were bound in the aggregate to absorb from year to year an increasing proportion of total current income."

The analysis presents two tables summarizing for 1935 the composite operating experience of about 73 per cent of the member banks in the district. One table gives in condensed form, covering the years 1928–1935, inclusive, district percentage totals for all reporting banks outside Boston. The second affords a detailed analysis of 1935 operating income and expenses of the various reporting banks classified according to the character of the deposit business handled. The study contains frequent references to items in both.

Losses and charge-offs in every year since 1928, it is found, were substantially heavier on bonds and stocks than on loans and discounts.

## INVESTMENT SERVICE for BANKS

**F**OR banks that do not maintain extensive statistical facilities, our Investment Service has been of invaluable aid in solving investment problems, supervising security portfolios and formulating investment policies.

### *This Service offers:*

1. A weekly tabulation of important statistical data concerning all bonds listed on the New York Stock Exchange and New York Curb Exchange.
2. An initial analytical and advisory review of investment portfolios, with supplemental reviews available on request.
3. Advice by our Investment Advisory Division on individual securities and investment problems.

Financial institutions are cordially invited to use this service—without cost.

## MANUFACTURERS TRUST COMPANY

HEAD OFFICE, 55 BROAD STREET, NEW YORK

*Member Federal Reserve System*

*Member New York Clearing House Association*

*Member Federal Deposit Insurance Corporation*

# Off to school in the *care* of steel



WITH *safety* as their first objective, the automobile manufacturers have turned naturally to more and more steel. The families who ride in this year's cars will be encircled with this protective armor, which now is fabricated so marvelously that it can be strong without being heavy, and rugged without the sacrifice of beauty.

The story of the long, patient research by which steel equipment has been made steadily tougher and yet lighter and more adaptable—the development of the many different kinds and

types of steel that enter into the making of a modern motor car—this is one of the most fascinating chapters in American industrial progress.

All the steel used in an automobile today has been greatly improved over the past few years. That is one reason why automobile makers are able to offer you better and better cars for less money. Things that are sturdy are not always lovely; but the cars of 1936 are both. Ride in one; buy one; send your children off to school in the care of steel.

AMERICAN BRIDGE COMPANY • AMERICAN SHEET AND TIN PLATE COMPANY • AMERICAN STEEL & WIRE COMPANY  
CANADIAN BRIDGE COMPANY, LTD. • CARNEGIE-ILLINOIS STEEL CORPORATION • COLUMBIA STEEL COMPANY  
CYCLONE FENCE COMPANY • FEDERAL SHIPBUILDING AND DRY DOCK COMPANY • NATIONAL TUBE COMPANY  
OIL WELL SUPPLY COMPANY • SCULLY STEEL PRODUCTS COMPANY • TENNESSEE COAL, IRON & RAILROAD COMPANY  
UNIVERSAL ATLAS CEMENT COMPANY • *United States Steel Corporation Subsidiaries*



## UNITED STATES STEEL

## Eastern Savings Conference

INTEREST rates, security investments, realty, railroads and customer relations were among the subjects considered at the Annual Eastern Savings Conference, held March 5 and 6 at the Waldorf-Astoria, New York City, under auspices of the Savings Division, American Bankers Association.

Following are brief reports on the prepared papers which dealt with matters of professional interest to the bankers:

**Stone, Harold.** (President, Savings Banks Association of the State of New York, and president, Onondaga County Savings Bank, Syracuse.) Opening remarks, including a suggestion that Federal deposit insurance and the broadening of the Reserve banks' lending field may lead to a growth in savings deposits of commercial banks; also a question as to whether banks should more carefully study the distinction between savings and time deposits "with a view to a possible differential in the interest rate paid for them."

**Gawtry, Lewis.** (President, Bank for Savings, New York City.) The address of welcome.

**Lum, William J.** (Secretary, Connecticut Savings Banks Association, and secretary-treasurer, Dime Savings Bank, Wallingford.) The response.

**Edie, Lionel D.** (President, Edie-Davidson, Inc., New York City.) "The Outlook for Interest Rates." An economist's observations on matters of particular concern to banking institutions.

**Standish, Alexander** (President, Standish, Racey & McKay, Inc., Boston.) "Investments." Suggestions as to, and the need for, definite investment policies, particularly in the light of three characteristics of the business recovery, namely, cheap electricity, building modernization, and the prospective prosperity of the farm areas.

**Crawford, Edward J.** (Vice-president, Charles F. Noyes Company, Inc., New York.) "Real Estate—What's Ahead?" The improvement in general business conditions and the restoration of confidence contribute to the anticipation that 1937 will be a "banner year in all branches of real estate"; the tax handi-

**Cummings, Lawrence B.** (Commissioner, Mortgage Commission, State of New York.) "A Better Day for Mortgages in Banking." A few reasons why the present mortgage situation can be turned toward improvement; the proposed mortgage bank, privately capitalized but under state regulation; banks should carefully consider putting their money into refunding present mortgages and clearing up existing conditions rather than turning to new loans in the first instance.

**McAneny, George** (President, Title Guarantee and Trust Company, New York City.) "Promising Conditions in the Real Estate and Mortgage Field." The unfair stigma put upon the mortgage during the depression will disappear as conditions improve—and signs of improvement are already visible.

**Anderson, Henry W.** (Co-receiver, Seaboard Air Line Railway.) "The Future of Railroad Transportation in the United States." The present task is to formulate as an ultimate objective a complete and coordinated system of transportation embracing all agencies. These should be brought under control of one regulatory body, such as the Interstate Commerce Commission.

**Oliver, Fred N.** (General counsel, National Association of Mutual Savings Banks.) "Is There a Railroad Problem?" A contribution to the discussion on railroad matters from the viewpoint of bank investments.

**Shanks, Carrol M.** (Associate general solicitor, The Prudential Insurance

**C. E. Alison, president, Idaho Bankers Association, and executive vice-president, American Trust Company, Coeur d'Alene, Idaho**



Company of America.) "Railroad Reorganizations." Some points about Section 77 of the Bankruptcy Act.

**Thomas, Louis S.** (President, The East Hartford Trust Company, East Hartford, Connecticut.) "Personal Loan Departments." Their basic principles, service and advantages, together with reasons for believing that this lending plan is helpful both to banks and communities.

**Bennett, Frank P., Jr.** (Editor, *United States Investor*, Boston.) "New Agencies Competing with Banks for Savings." Some facts and figures about competition, and three rules that can be applied to the rivalry among savings banks, commercial banks, trust companies, building and loan associations, life insurance companies, postal savings banks, and other organizations.

**Sparks, Robert W.** (Vice-president, The Bowery Savings Bank, New York.) "Improving Relations with Their Customers." Introduction to the discussion on customer-public relations at the last session of the Conference.

**Murchison, Kenneth M.** (Vice-president, Central Savings Bank, New York City.) "Ideals in Savings Bank Service." With the public convinced that mutual savings banks are safe, the principal problem to which the institutions must give their attention untiringly is the matter of service to the public.

**McCann, John J., Jr.** (Advertising director, National Savings Bank, Albany, New York.) "Experience with Organized Groups." How one bank has effectively used its balcony and lobby space to broaden public and customer contacts.

**Kirkpatrick, Donald** (President, The National Bank of New Jersey, New Brunswick.) "The Constructive Customer Relations Conferences and Our Banks." Including a discussion of pitfalls—dealings that generate animosities and from which trouble arises; policies that lead to misunderstandings if they are not properly explained when inquiries arise.

**Totton, Frank M.** (Second vice-president, Chase National Bank, New York City.) "A Bank's Greatest Asset—Its Customers." Constructive customer relations conferences and programs; their value to banking institutions; self-analysis in banking.

## Social Service

THERE was once a street in lower New York City, where living and social conditions were intolerable. It was lined with filthy tenements, occupied by swarms of human beings representing some 27 nationalities. The infant mortality in this district was the highest in the whole United States, and the adults fared little better. Such feeble efforts as had been made to improve conditions had proved utterly futile.

A group of men, whose offices were only a few blocks distant, interested themselves in the wretched conditions that prevailed in this unfortunate area. They organized a "Neighborhood Association", hired skilled social workers, obtained the approval and cooperation of the city administration and the New York Milk Committee, renovated a vacant building and converted it into a social center, established a playground for the 3,000 children, compelled the owners of the tenements to install modern sanitary facilities, provided a health and dental clinic and the services of trained nurses, formed boys' and girls' clubs, and so on. In the course of two or three years they wrought a vast change in the lives of several thousand men, women and children.

Who were these men? They were a group of Wall Street bankers.

### WASHINGTON STUDY

Louis Brownlow is chairman of the President's committee to study reorganization of New Deal agencies. He will work in conjunction with Congressional committees



WIDE WORLD

April 1936

# Wisconsin's BANK *for* BANKS

## SERVING as depositary

for more than 80 per cent of the banks in this state, the First Wisconsin enjoys active state-wide contacts affording practical advantages in meeting the Wisconsin requirements of other banks and national business corporations.

## . . . . Your Logical Banking Connection in this important trade area

● Milwaukee, although twelfth in size, leads all

but eight U. S. cities in annual value of industrial output . . . and Wisconsin, world-famous as "America's Dairyland", also holds high rank in industrial production — tenth among the states.

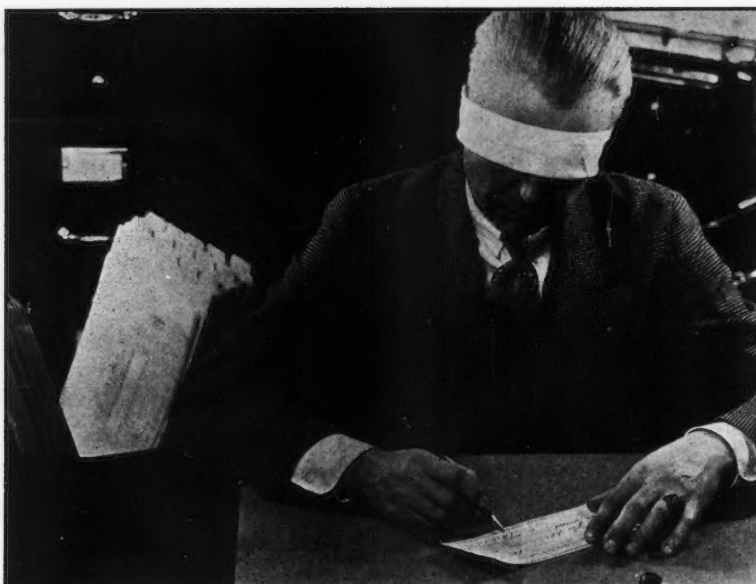
The First Wisconsin National is the largest bank in this important agricultural-industrial market . . . an outstanding commercial bank . . . first in resources, facilities, contacts and scope of service.



# FIRST WISCONSIN

## NATIONAL BANK *of Milwaukee*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



## MUST HE O.K. IT - - - SIGHT UNSEEN?

### LAMSON TUBES

permit your Bookkeeper  
to SEE what he is asked  
to approve.

#### INCREASED PRODUCTION from EVERY EMPLOYEE

In any type of business, a Lamson Tube System will increase materially the productive work of employees . . . by smoothly speeding the interchange of papers, files and messages, preventing "piling-up" and consequent delays. Let us show you how Lamson Tubes will increase profits.



Swiftly and silently, LAMSON TUBES speed check, signature or document from Teller to Bookkeeper for written O.K. Embarrassing or costly mistakes are eliminated. And, in keeping with modern bank service, the customer does not know that his account or signature has been questioned.

LAMSON TUBES serve banks—large and small—everywhere. The installation cost is very low—and there is no rent to pay, no contract calling for additional outlay. Let us submit a written recommendation for your bank, without obligation.

### LAMSON PNEUMATIC TUBES

#### PUT YOUR BOOKKEEPER AT YOUR TELLER'S ELBOW

THE LAMSON COMPANY • SYRACUSE, N. Y.

Without obligation, send the Booklet "WINGS OF BUSINESS" and complete information on LAMSON TUBES.

NAME .....

BANK .....

CITY..... STATE.....

## Something for Nothing

THE value of an analysis of departmental services was emphasized recently in a survey made at one branch of a metropolitan bank.

It was found, for example, that customers were inclined to treat the securities department as a broker's office. They came in with securities bought through their brokers or through other banks, leaving them for exchange, transfer, delivery against receipts or payment, for shipping—all at no cost to themselves.

The transactions involved checking bonds for call and redemption, seeing that stocks were in negotiable form or exchanged for new certificates, advising clients on reorganization proceedings, issuing receipts, and holding securities in the vault pending instructions. Deliveries meant use of the bank's messenger or armored truck service. Each of these service items had to be recorded, checked and audited periodically.

Most of this business, it was found, was with persons who did not buy or sell their securities through the bank; they had merely turned them over to the institution because there was no charge for such services.

#### FEE SYSTEM ACCEPTED

A FEE system on these transactions was levied and each patron of the department was advised of the new arrangement. At first it was rather difficult to get the customers to see the bank's viewpoint, and the volume of business decreased for a time. But it has again reached its peak and no one strenuously objects to the additional cost. As one customer said: "I don't mind paying for service elsewhere, and I couldn't honestly oppose this charge, for I have been one of the worst offenders in trying to get something out of the bank for nothing."

Similar methods were used in the loan department which, it was discovered, was being used by some accounts as a custodian department. Customers' securities were being held in safe-keeping, coupons cut, security redemptions watched, exchanges made and other services performed, all for the price of interest on a loan. Hence a charge was made for extra items handled, and although volume slipped a bit, the decrease was actually inconsequential.

The trust department was scrutinized next. On accounts more or less un-

BANKING

profitable, a fee was levied in accordance with the volume of business handled, this charge being additional to the usual custodian fees. Again customers withdrew their accounts, but the bank was rather glad to be relieved of them and the department has since grown rapidly. Income has increased.

The bank's staff has been enlarged and the services available to customers have been augmented. Cost accounting demonstrated the sources of serious leakage, and each item was made to bear its proportion of the expense. No customer is overpaying for the service he gets.

## Trust Service a Necessity

IN an effort to emphasize the value of the services offered by a trust institution, the Harvard Trust Company of Cambridge, Massachusetts, has published, in serial form, the interesting story of what one individual went through in administering a modest estate.

Entitled "My Experience as an Executor", the narrative recounts in six instalments the labyrinth of detail through which a local business man struggled in his capacity of executor of his partner's will. The story is written in the first person; its tone is conversational and its language non-technical.

At the beginning of the story the writer explains that he and his partner had named each other executor of the respective wills, thinking they had "done a good day's work".

"I know now," he says, "what a couple of simpletons we were. You will agree with me when you hear how the plan worked out."

It took nearly two years to complete the administration, and the author's service as executor got him into "an absolute mess, if ever there was one", although the estate was not large and was neither encumbered with debts nor involved in litigation. The business man learned a lot, although even when it was all over he realized that he really knew comparatively little. He did, however, learn enough to make changes in his own affairs, one being designation of the trust company as his executor.

At the end of each chapter the institution has inserted a brief paragraph or two of advertising matter calling attention to the services which a trust company can render as executor.

IT'S CONVENIENT



IT AVOIDS EMBARRASSMENT



IT'S SOUNDER



And it's more profitable—  
both directly and indirectly—

—to refer to your local Morris Plan institution  
those borrowing applicants whose require-  
ments naturally fall in the Morris Plan field.



## MORRIS PLAN BANKERS ASSOCIATION

800 EAST MAIN STREET, RICHMOND, VIRGINIA

This series of advertisements is sponsored by  
Morris Plan institutions in the following cities:

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|---------------------|--------------------|----------------------|----------------------|
| AKRON, OHIO         | DES MOINES, IOWA   | NORFOLK, VIRGINIA    | SYRACUSE, N. Y.      |
| ARDMORE, OKLA.      | DULUTH, MINNESOTA  | OAKLAND, CAL.        | TAMPA, FLORIDA       |
| ASHEVILLE, N. C.    | DURHAM, N. C.      | OKLAHOMA CITY, OKLA. | TERRE HAUTE, IND.    |
| ATLANTA, GEORGIA    | FALL RIVER, MASS.  | ORLANDO, FLORIDA     | TOLEDO, OHIO         |
| AUBURN, N. Y.       | FORT WAYNE, IND.   | PAWTUCKET, R. I.     | TOPEKA, KANSAS       |
| BALTIMORE, MARYLAND | FORT WORTH, TEXAS  | PETERSBURG, VIRGINIA | TUCSON, ARIZONA      |
| BARTLESVILLE, OKLA. | HARTFORD, CONN.    | PHILADELPHIA, PA.    | TULSA, OKLA.         |
| BINGHAMTON, N. Y.   | HOLYOKE, MASS.     | PHOENIX, ARIZONA     | UTICA, NEW YORK      |
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| BRIDGEPORT, CONN.   | KNOXVILLE, TENN.   | PROVIDENCE, R. I.    | WATERBURY, CONN.     |
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| BUFFALO, NEW YORK   | LEWISTON, MAINE    | ROANOKE, VIRGINIA    | WESTERLY, R. I.      |
| BURLINGTON, N. C.   | LOUISVILLE, KY.    | ROCHESTER, N. Y.     | WEST WARWICK, R. I.  |
| CEDAR RAPIDS, IOWA  | MALDEN, MASS.      | ST. PAUL, MINN.      | WICHITA, KANSAS      |
| CHATTANOOGA, TENN.  | MIAMI, FLORIDA     | SAN ANTONIO, TEXAS   | WILMINGTON, DEL.     |
| CINCINNATI, OHIO    | MINNEAPOLIS, MINN. | SAN FRANCISCO, CAL.  | WILMINGTON, N. C.    |
| CLEVELAND, OHIO     | NEW BEDFORD, MASS. | SAVANNAH, GEORGIA    | WINSTON-SALEM, N. C. |
| DALLAS, TEXAS       | NEW HAVEN, CONN.   | SCHENECTADY, N. Y.   | WOONSOCKET, R. I.    |
| DAVENPORT, IOWA     | NEWPORT, R. I.     | SHAWNEE, OKLA.       | WORCESTER, MASS.     |
| DAYTON, OHIO        | NEWPORT NEWS, VA.  | SPRINGFIELD, MASS.   | YONKERS, N. Y.       |
| DENVER, COLORADO    | NEW YORK, N. Y.    | STOCKTON, CAL.       | YORK, PENNSYLVANIA   |

# Simplified Call Reports

UNIFORMITY and simplicity in the call, earnings and dividends reports required by the various bank supervising agencies have been the object of bankers and most Federal and state banking officials for some time.

Nearly two years ago the movement assumed practical form, and in May 1935, after nearly a year of discussion, a conference was held in Washington of representatives of the American Bankers Association, the Comptroller of the

Currency, the Federal Deposit Insurance Corporation, the Federal Reserve Board, the National Association of Bank Auditors and Comptrollers, the Reconstruction Finance Corporation, the Reserve City Bankers' Association, the Treasury Department and the National Association of Supervisors of State Banks.

At that meeting the nature of the problem was examined in detail, and it was determined to request the authori-

ties interested in the matter to carry on an aggressive campaign of education in the various organizations for the purpose of bringing about greater standardization in accounts and accounting terms and to request each organization or supervisory authority to appoint a member of a permanent committee to work on the problem of simplified and uniform statistical reports. All of the several associations and authorities appointed members of this committee, with the exception of the Comptroller of the Currency, who felt that such reports for national banks were peculiarly a responsibility of his office and that he could not share it with any other authority.

## TENTATIVE FORM

CONDITION call reports were considered the most pressing problem, and the experts selected for working out new forms have been devoting their efforts to the drafting of a form which, while greatly simplified as compared with most forms now in use, would contain all that the various banking laws require. The result of their efforts was submitted to a conference of the members of the permanent committee in Washington on March 10 and was approved by the committee. However, since the Comptroller's office was not represented on the committee the unanimous action necessary to make the adoption of the new form effective has not yet been secured. In case the form is approved by all the Federal authorities or some compromise arrangement reached, the approved form will then be submitted to the supervisory authorities of the several states for formal adoption. It is hoped that final action can be taken previous to the June call for condition reports.

Meanwhile, the supervisory authorities in 25 states are using the form furnished by the Federal Deposit Insurance Corporation for call reports and the authorities in most other states have indicated that they will use the form recommended by the committee as soon as it is finally agreed upon. It is understood that the chief differences between the proposed form and that used for national banks is in the statement of capital setup and the indication of prior liens in the statement of fixed assets. Memoranda covering these and several other important items are also materially modified in the interest of simplicity, clearness and uniformity.

## STATEMENT OF CONDITION

### Mercantile-Commerce Bank and Trust Company

Locust - Eighth - St. Charles  
St. Louis

MARCH 4, 1936

## THE RESOURCES

|  |                 |                         |
|--|-----------------|-------------------------|
| Cash and Due from Banks . . . . .  | \$65,225,065.76 |                         |
| U. S. Government Obligations,<br>direct and guaranteed—  |                 |                         |
| Pledged) . . . . \$ 6,024,981.40   |                 |                         |
| (Unpledged) . . . 39,476,924.93  | 45,501,906.33   | \$110,726,972.09        |
| Other Bonds and Securities—  |                 |                         |
| (Pledged) . . . . None   |                 |                         |
| (Unpledged) . . . \$18,263,225.34  | \$18,263,225.34 |                         |
| Demand Loans . . . . .   | 8,123,963.88    |                         |
| Real Estate Loans . . . . .  | 9,529,874.63    |                         |
| Time Loans . . . . .   | 11,067,429.69   | 46,984,493.54           |
| Stock in Mercantile-Commerce Company . . . . .   |                 | 6,000,000.00            |
| <i>(As authorized by the Banking Act of 1933, the Mercantile-Commerce Company is a wholly-owned subsidiary of this Bank, with no liabilities. Its Assets consist entirely of U. S. Government Obligations, carried at par.</i> |                 |                         |
| Stock in Federal Reserve Bank in St. Louis . . . . .   |                 | 360,000.00              |
| Real Estate (Company's Building) . . . . .   |                 | 2,450,000.00            |
| Safe Deposit Vaults . . . . .  |                 | 600,000.00              |
| Other Real Estate (Former Bank of Commerce Bldgs.)   |                 | 1,500,000.00            |
| Overdrafts . . . . .   |                 | 6,612.93                |
| Customers' Liability on Acceptances and Letters<br>of Credit . . . . .   |                 | 218,016.82              |
| Other Resources . . . . .  |                 | 48,864.35               |
|  |                 | <u>\$168,894,959.73</u> |

## THE LIABILITIES

|   |                         |
|---|-------------------------|
| Capital Stock . . . . .   | \$10,000,000.00         |
| Surplus . . . . .   | 2,000,000.00            |
| Undivided Profits . . . . .   | 3,048,519.45            |
| Reserve for Contingencies . . . . .                                     | 801,038.68              |
| Reserve for Interest, Taxes, etc. . . . .                               | 696,000.00              |
| Unpaid Dividends . . . . .  | 3,184.00                |
| Bank's Liability Account Acceptances and Letters<br>of Credit . . . . . | 218,016.82              |
| Deposits, Secured: Public Funds . \$ 6,849,103.95                       |                         |
| Other Deposits, Demand . . . . 114,557,565.58                           |                         |
| Other Deposits, Time . . . . . 30,721,531.25                            | 152,128,200.78          |
|   | <u>\$168,894,959.73</u> |

*All Securities pledged are to the U. S. Government or its Agents, State of Missouri and the City of St. Louis, to secure deposit and fiduciary obligations.*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

THE NORGE-EQUIPPED HOUSE IS

*modern*

IN ITS MOST ESSENTIAL PARTS

NORGE ROLLATOR REFRIGERATOR

NORGE CONCENTRATOR GAS RANGE

NORGE WHIRLATOR OIL BURNER

NORGE AUTOBUILT WASHER

NORGE QUALITY IRONER

NORGE FINE-AIR FURNACE

True house modernizing begins in one of two places—kitchen or basement.

The Norge-equipped home has a beautiful Rollator Refrigerator and an equally beautiful Concentrator Gas Range in its kitchen. The basement is clean and livable because of Norge automatic oil heat—either a heating system converted with a Whirlator Oil Burner or a complete Fine-Air Conditioning Furnace. In the laundry is a

Norge Autobuilt Washer and a convenient Norge Ironer. In the important parts—the *working* parts—the Norge-equipped house is a truly modern home.

Realize that every appliance that bears the Norge name is backed by the engineering experiences and financial responsibility of Borg-Warner Corporation. That

is your assurance of high quality products and certainty that no Norge appliance will ever be an "orphan."

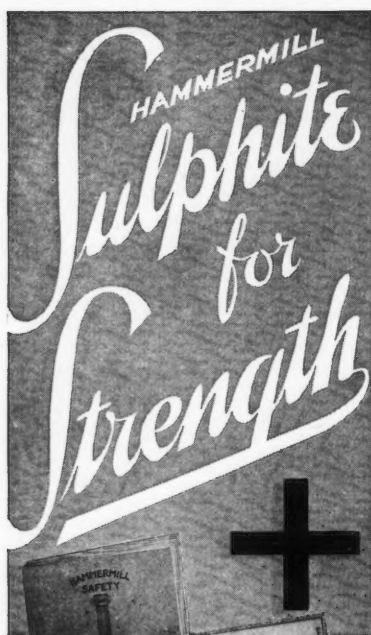
Get acquainted with the Norge dealer in your vicinity. Or, if you prefer, write direct to us for complete and specific information about any or all Norge distinctive home appliances.



**NORGE**

**NORGE DIVISION Borg-Warner Corporation**, 606-670 E. Woodbridge Street, Detroit, Michigan.

ROLLATOR REFRIGERATION (DOMESTIC AND COMMERCIAL) • GAS AND ELECTRIC RANGES • WASHERS AND IRONERS • WHIRLATOR OIL BURNERS • FINE-AIR FURNACES • AIR CONDITIONING • CIRCULATOR ROOM HEATERS



## TWO VALUABLE BOOKS Free!

Hammermill Safety Paper for checks is made of the tough strong fibers of virgin sulphite cellulose. Hammermill was the pioneer in making Safety Paper from sulphite base stock. From the pulp through the sensitizing, every step of the process is done in the Hammermill plant, under the supervision and control of the Hammermill laboratories. See samples and judge for yourself — mail the coupon below.

Hammermill Paper Company  
Erie, Pa.

Send me FREE copies of the two new Hammermill books showing samples of printed and lithographed checks on Hammermill Safety Paper.

Name .....

Position .....  
(Attach this coupon to your bank letterhead, please. NO salesman will call.)

A.B.

## Personnel Geography

THE personnel of most business organizations in a large city is geographically cosmopolitan, a circumstance that can on occasion be turned to the advantage of both employer and employee.

It may, for example, be mutually profitable when a bank is able to send as its new business representative to a given territory a man who spent his boyhood there. He is familiar with local industries, he knows the section's interests and needs, he understands its peculiarities and personality. Its background is bred in him, and the chances are that he feels that he still "belongs".

When an institution with a string of correspondent accounts needs a new contact man in a certain district, it may find that its interests will be best served by sending to the section a man whose previous residence there has given him an understanding of its problems. Theoretically, at least, his chances for a successful mission are greater than those of a stranger.

If the bank's training ground for new business men is the credit department, it can steer into that division candidates for promotion who come from sections of the country in which the institution has, or seeks to have, interests. The premise is, naturally, that these men are bankers of promise; with that foundation, plus their personal backgrounds, it is possible that they can become particularly useful representatives.

## A Banking Diary

A NOVEL plan for helping take the mystery out of banking is being used by The Union & New Haven Trust Company, of New Haven, Connecticut.

The institution is issuing an 8-page printed *Journal* which, in simple language, sets forth and interprets the bank's day-to-day activities. Presented in the form of a diary, this interesting experiment in public-customer relations includes such features as weekly figures on loans made, statistics on the handling of trust accounts, purchase and sale of securities for trust accounts, and the amount of funds held in trust.

The first issue of the *Journal* covers

## Journal of The Union & New Haven Trust Company

MEMBER FEDERAL RESERVE SYSTEM

JANUARY

January 2 Thursday

WE start a new year—mindful of the past, alert to the present, confident of the future. At the regular morning meeting of officers, attention was called to Regulation Q of the Federal Reserve Board, now effective. Under this, Member Banks in the Federal

Beginning of one of the items in the diary

the month of January. One item calls attention to Regulation Q of the Federal Reserve Board. Another paragraph shows how the bank's officers, meeting each morning before the institution opens, prepare for the day's work. Improved business conditions are reflected in an entry reporting that the number of items posted in the trust department on January 2, in connection with the collection of semi-annual income, was 23 per cent larger than a year ago.

There is also a synopsis of the annual stockholders' meeting, including excerpts from the annual letter of the president, W. Perry Curtiss, in which he comments on the decline in gross operating earnings. Other entries note the meetings of various bank committees, a visit of high school students, personnel changes, and various routine activities.

In an introductory note to the first issue of the *Journal* Mr. Curtiss says:

"Sometimes we wonder if banks and bankers have not allowed themselves to become so preoccupied with the day's task that they have insufficiently acquainted their customers and the public generally with the true nature of banking. Quite frequently some one will ask questions or take actions which indicate that, to many people, banking and trust services are still mysterious.

"To remove, in some small part, this mystery; to take you 'behind the scenes in your bank'; to give you some idea of how this institution plays a daily part in the economic life of the community; and to reflect the spirit in which our directors, officers and staff undertake their duties and responsibilities—this *Journal* of day-by-day activities of The Union & New Haven Trust Company is dedicated."



# Field Warehousing means *Safe* Loaning

We guard  
your  
collateral

Above: Typical views of  
Douglas-Guardian field  
warehousing

**D**OUGLAS-GUARDIAN field warehousing opens up new opportunities for making attractive loans. It supplies you with a sound basis for putting idle funds to work — in the form of loans to clients who have active inventory but need cash.

Your loan is thoroughly safeguarded as we impound an ample amount of collateral merchandise, giving you warehouse certificates protected by a superior type of bond, covering bonded representatives, and by insurance fully covering warehousemen's legal liability for loss, damage or destruction of property of others while held in storage in warehouse buildings and/or storage yards and/or storage premises used for tank storage leased, operated or maintained by them.

As the manufacturer liquidates his inventory, you get your money and we release the merchandise. Could anything be more simple or more logical?

Douglas-Guardian Warehouse Corporation is a national institution under the

successful management of thoroughly experienced and competent warehousemen.

Our field warehousing service is available in connection with any inventory that is not perishable and that can be segregated and identified.

Why not consult us, in confidence, concerning any specific loan you have in mind? Or ask for details on Douglas-Guardian service that will establish a sound basis for loaning to worth while clients. Address our nearest office.

**Among the commodities we warehouse are these:** Alcohol, Canned Goods, Cotton, Cottonseed Oil, Cottonseed Meal, Coal, Lumber, Hides, Malt, Molasses, Petroleum Products, Pickles in Vats, Rice, Ready-made Clothing, Seeds, Syrup, Steel Products, Staves, Stoves, Sugar, Sulphur, Summer and Winter Suits, Wines and Whiskies, Wooden Crates, Wool, Woolen Piece Goods, Zinc Slabs, and many others.



## DOUGLAS-GUARDIAN WAREHOUSE CORP.

*Nation-wide Warehousing Service*

NEW ORLEANS, LA.  
118 N. Front St.

CHICAGO, ILL.  
100 W. Monroe St.

NEW YORK, N. Y.  
100 Broad St.

DALLAS, TEXAS  
401 Tower Petroleum Bldg.

ROCHESTER, N. Y.  
1223 Commerce Bldg.

EASTON, MD.  
Stewart Bldg.

FAYETTEVILLE, ARK.  
Appleby Bldg.

MADISON, WIS.  
155 E. Wilson St.

TAMPA, FLA.  
416 Tampa St.

## Loan Renewals

A MAN had a temporary loan at his bank for \$50,000 secured by various parcels of real estate which he was improving. When the improvements were completed he planned to refinance with long term mortgages. This the bank understood and, as the security was adequate, it was quite willing that he should take his time about the permanent financing, although it insisted that its loan be made on the basis of a 60-day note which the borrower was

assured would be extended when it reached maturity.

However, 10 days before the note fell due, the loan department sent the borrower a routine notice demanding payment. The borrower accepted this notice at its face value, concluded that the bank had changed its mind about allowing him to renew and, at considerable inconvenience to himself, made arrangements to pay. Some time later he sarcastically mentioned the matter to

one of the bank's officers, saying, among other things, that in the future he would not bother the bank for credit. The officer explained that the notice was a mere matter of routine, and that if the customer had asked for an extension it would have been granted. But he was unsuccessful in his attempts to regain the customer's good will. Never again did the man apply to that institution for a loan.

This loss of a profitable borrowing account could have been obviated by the use of a simple system employed in another bank. This institution, instead of sending out curt notices requesting payment, so words its formal demand that a willingness to renew is implied. Before the notice is mailed, it and the original note are turned over to the bank's loan committee which meets daily to run through the file of imminent maturities to determine what course is to be pursued in each case. The committee's decision, whatever it may be, is recorded in a simple code on both the note and the notice.


### A CODE IS CONVENIENT

FOR example, the symbol "1-1" means that the note may be renewed at its face and, because the code is carried on both the notice and the original note, even the note teller is allowed to accept a renewal should the borrower ask him, rather than an officer, for the privilege. Similarly, the symbol "1-5" means that the note may be renewed for its face, but that the borrower is first to see the officer numbered "5" in the code. Thus if the borrower asks the teller to renew he is referred at once to the proper officer.

Again, if the loan committee has decided that the note should be reduced the symbol is "2-5"; if it is to be paid in full it carries the code "3-5". In each case the second digit in the code refers to the officer designated to handle the matter.

Employment of a system of this sort does away with any chance of misunderstanding between the bank and its borrowers. It also saves time, for the customer can be sent unerringly to the officer assigned to his account. Beyond these advantages is the fact that the loan committee has an opportunity to decide what its policy is to be toward a borrower well in advance of the maturity of his obligation.

The last consideration, in itself, may suggest the system's usefulness.



## The Banker—As A Citizen

**M**EMBERS of the banking profession must find a good deal of satisfaction in the record they have written during the period of readjustment. First of all they have been good citizens . . . and in the face of new problems and exacting situations they have remained good bankers, too.


From the new president of the American Bankers Association, Robert V. Fleming, comes the message "there has been demonstrated a spirit of confidence in the fact that bankers are willing to do everything they can to stimulate the recovery of the nation."

Today's modern, well-equipped, ably-managed banks are setting new standards of utility and efficiency. To help them in every possible way with the most useful correspondent services is our earnest aim.

*Twenty-Four Hour Transit Service*

Member Federal Deposit Insurance Corporation

**FIRST NATIONAL BANK**  
**AND TRUST COMPANY**  
**OF OKLAHOMA CITY**



# One Burroughs

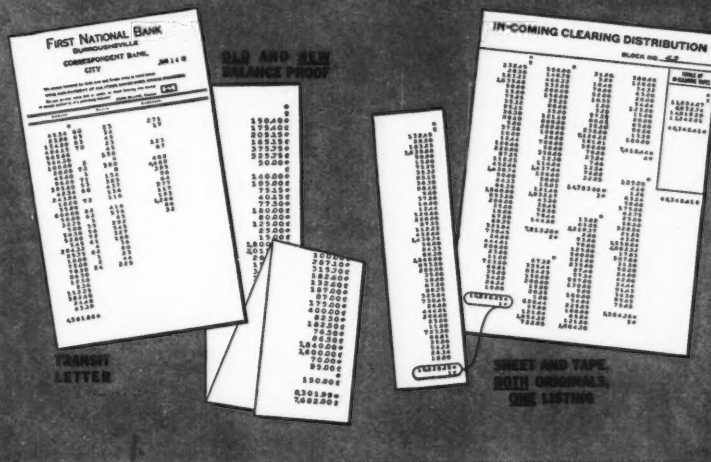


**THIS** Burroughs is really **THREE** machines in **ONE**. It writes transit letters, handles interior proving and all routine addition.

## for Three

Writes complete transit letters, printing and adding amounts and providing positive numerical identification of *both* payer and endorser. . . . On interior proving it prints batch sheet and tape to accompany items, *both* originals, in one operation. Adds groups of items, furnishing total of *each* group and a *grand* total of group totals without relisting. . . . Also handles all routine addition in the bank, printing the figures on either two tapes or one. On running old and new balance proof the machine will add *two* sets of figures at *one* time, giving a separate total of each set.

## kinds of Work



Write for folder *illustrating* the advantages of this machine

**BURROUGHS ADDING MACHINE COMPANY**  
DETROIT, MICHIGAN



## BRING YOUR GOLF-HUNGER UP HERE

It's just a little doubtful (to us, anyway) whether any golfer has experienced all the things golf can do to and for him until he has played such a course as The Cascades. And there are few such courses, anywhere.

The course was created to just that end, from the first pencil-mark of preliminary drafting. Then, too, it's 2,300 feet up. Its beauty is breath-taking; its maintenance is perfect—and it has the content-giving life of The Homestead going on, working its wonders on content-seeking men and women, all around it.

There's a second golf course at The Homestead, too, as perfect in its way (but less difficult to play) as The Cascades. And there are tennis courts (both clay and en-tout-cas); and well-mannered horses that make perfect your delight in hundreds of miles of mountain-and-valley trails; and a skeet field that tops in beauty, probably, any you ever saw.

If you haven't ever visited The Homestead, if all this is but words to you, perhaps we can give you a better idea of the charm that's here for you by sending you some pictures. May we?



## Overflowing Bank Vaults

WHETHER or not the deposits in all banks in the United States are now at their highest point is not as yet certain, but the returns of the December call report in the case of the national banks indicate that such is the case, unless the state banks and trust companies fall short of what is expected of them. The institutions in the national system on December 31 had total deposits of \$24,847,733,000, or \$500,353,000 more than banks in that system had on December 31, 1928, when the total was \$24,347,380,000, which was the highest point reached until the end of last year.

It may confidently be expected that the report of all banks, which is now expected in another month, will show total deposits far in excess of any previous record. From the standpoint of the public and its business in the future the record naturally means strength. How much it means to the banks themselves depends upon the development of means of using the tremendous amount of available bank credit now offered.

### INCREASES

THE increase in the deposits in national banks during the past year was over three billions, and the most notable feature of the increase was the fact that \$2,454,391,000 was to the credit of individuals, firms or corporations—in

other words, adjusted deposits. In line with the great amount of unused funds in the banks there was an increase of \$878,563,000 in interbank deposits. States, counties and municipalities reflected better financial conditions by an increase in their deposits. On the other hand there was a decrease of \$462,306,000 in deposits of the United States Government, including postal savings redeposits.

The record of deposits and assets for December 31, 1934, and December 31, 1935, is shown in the table which appears at the bottom of this page.

The increase in holdings of Government or fully Government-guaranteed securities was \$864,562,000; in other securities, \$178,019,000; in loans and discounts, \$29,944,000; in reserves, \$911,461,000; and in cash items, \$264,926,000.

The record of growth during the past year thus reflects tendencies well recognized in the various call reports during the year, with perhaps a slowing up or readjustment of Government financial policies and the import of gold toward the close of the year which have been chiefly responsible for the growth in deposits and the abnormal growth of idle funds as compared with loans and investments. The returns covering last year's developments indicate present year probabilities. The renewal of Gov-

### DEPOSITS IN NATIONAL BANKS

|  | Dec. 31, 1935           | Dec. 31, 1934           |
|--|-------------------------|-------------------------|
| Demand deposits of individuals, corporations, etc. | \$10,911,717,000        | \$ 8,980,775,000        |
| Time deposits of individuals, corporations, etc.   | 6,816,676,000           | 6,293,227,000           |
| U. S. Government deposits                          | 585,289,000             | 884,935,000             |
| State, county and municipal deposits               | 1,979,040,000           | 1,639,105,000           |
| Postal Savings deposits                            | 187,394,000             | 350,054,000             |
| Interbank deposits, etc.                           | 4,367,617,000           | 3,489,054,000           |
|  | <b>\$24,847,733,000</b> | <b>\$21,637,150,000</b> |

### PRINCIPAL ASSETS OF NATIONAL BANKS

|                                      | Dec. 31, 1935           | Dec. 31, 1934           |
|--------------------------------------|-------------------------|-------------------------|
| U. S. securities, direct obligations | \$ 6,554,770,000        | \$ 6,250,822,000        |
| R.F.C. debentures                    | 183,478,000             | 185,953,000             |
| Federal Farm Mortgage Corporation    | 319,116,000             | 183,569,000             |
| H.O.L.C. bonds                       | 754,748,000             | 327,206,000             |
| Total U. S. direct and guaranteed    | <b>\$ 7,812,112,000</b> | <b>\$ 6,947,550,000</b> |
| Other securities                     | 3,665,424,000           | 3,487,405,000           |
| Loans and discounts                  | 7,505,321,000           | 7,475,377,000           |
| Reserves with Reserve banks          | 3,436,909,000           | 2,525,448,000           |
| Cash items                           | 4,221,632,000           | 3,956,706,000           |
| Total assets                         | <b>\$28,224,701,000</b> | <b>\$25,580,932,000</b> |

ernment spending on a large scale will inevitably increase deposits still further. This increase will be influenced by an increase or decrease in imports of gold—more probably the former.

The prospect of the heaviest year's peace-time financing for the Government will have the usual result of greatly increasing bank holdings of Government securities. Further increases in the portfolio of Government-guaranteed securities will be comparatively small, as the H.O.L.C. closes its refunding campaign and loans of the Land Commissioner for the Federal Farm Mortgage Corporation taper off, as is now the prospect. At all events the chances are that all banks will have more money to invest with probably less opportunity to invest them otherwise than in Government obligations.

GEORGE E. ANDERSON

## Correspondent Service

### Alaska

THE value of the correspondent system of American banking is illustrated by the case of the Alaskan who bought a seven passenger airplane in San Francisco. The plane was for sale at \$7,000. Through his bank in Alaska the purchaser arranged for a loan from a third party to cover part of the purchase price. However, before the cash was advanced the person making the loan insisted that the lien on the plane be delivered to the bank.

### UNUSUAL COMPLICATIONS

THIS stipulation brought the system of correspondent banking into play. The Alaskan bank gave the customer buying the plane a letter to its correspondent in San Francisco instructing them to take delivery of the plane, then turn it over to the purchaser, taking back from him a lien for the amount of the loan, which, of course, was to be forwarded to the Alaskan bank for delivery to the individual actually making the loan.

The transaction was complicated by distance and by the peculiar legal details surrounding airplane transfers and mortgages, but none the less it was handled with routine efficiency. The buyer was able to take possession of his plane as quickly as though he had been a cash buyer, and his creditor, although several thousand miles away, never at any time had the security of his funds in jeopardy.

## Australia

WHEN a retired public servant of the Commonwealth of Australia received fatal injuries in San Francisco, no one was personally concerned with his passing. Traveling alone, he was without friends in the United States. In fact, the only real clue to his identity was his letter of credit drawn on an Australian bank, and to that institution the authorities of the hospital where he had been cared for dispatched a cable relating the circumstances of his death, together with the name of the undertaker who had taken charge of his body.

After that it was only a matter of hours before the man's affairs became the active concern of a San Francisco bank.

When the bank in Australia received the message, it first located his relatives and then cabled its San Francisco correspondent to arrange for the funeral and to ship his property home.

An officer of the American bank made the carrying out of this commission his chief business. He contacted the hospital, the attending physicians and the undertaker, arranged with the steamship company on which the man had held a ticket for a refund, and finally obtained a priest to conduct the funeral.

## NATIONAL BANK OF TULSA TULSA, OKLAHOMA

Statement of Condition March 4, 1936

### RESOURCES

|  |                 |                        |
|--|-----------------|------------------------|
| Cash and Due from Banks                | \$22,391,631.20 |                        |
| U. S. Government Securities            | 13,180,603.94   |                        |
| Other Bonds and Warrants               | 3,351,568.42    |                        |
|  |                 | \$38,923,803.56        |
| Loans and Discounts                    |                 | 14,919,733.94          |
| Overdrafts                             |                 | 5,441.76               |
| Income Receivable Accrued              |                 | 145,632.43             |
| Stock in Federal Reserve Bank          |                 | 240,000.00             |
| Investment in Bank Premises            |                 | 2,206,000.00           |
| Customers' Liability under Acceptances |                 | 8,486.25               |
| <b>TOTAL</b>                           |                 | <b>\$56,449,097.94</b> |

### LIABILITIES

|                                |                 |                        |
|--------------------------------|-----------------|------------------------|
| Deposits                       | \$47,934,982.57 |                        |
| Acceptances Executed           | 8,486.25        |                        |
| Income Collected not Earned    | 60,832.85       |                        |
| Interest, Taxes, etc., Accrued | 70,976.06       |                        |
| Capital—Preferred              | \$4,000,000.00  |                        |
| Capital—Common                 | 2,000,000.00    |                        |
| Surplus                        | 2,000,000.00    |                        |
| Undivided Profits and Reserves | 373,820.21      |                        |
|                                |                 | 8,373,820.21           |
| <b>TOTAL</b>                   |                 | <b>\$56,449,097.94</b> |

### COMPARATIVE DEPOSITS

|               |                 |
|---------------|-----------------|
| March 5, 1934 | \$33,614,690.49 |
| March 4, 1935 | 39,117,599.41   |
| March 4, 1936 | 47,934,982.57   |

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

*The Oil Bank of America*

# A Federal Mortgage Bank

THE United States Building and Loan League has sent to its 4,300 member associations an analysis of the Federal mortgage bank proposed in the Fletcher bill now before Congress, together with reasons why the League's directors and officers believe the measure to be unsound.

There is also comment on each section of the bill.

"The League points out," says a summary of the communication, "that under the system proposed any individual who can acquire \$1,000 worth of stock in the bank could go extensively into the mortgage lending business, on any kind of urban property, sell the mortgages without recourse to the Government bank, and thus 'get out from under' as real estate deflation begins to come, and leave the mortgage bank holding the sack. Since a Government guarantee of obligations or complete tax exemptions are probably necessary to provide the bank with funds in a period of business crisis, the institution will be operating essentially on the faith and credit of the United States, and can ill afford under these circumstances to be loaded down with the poorest of mortgages." The building and loan leaders hold, says the summary:

"1. That the proposed bank is not needed to foster home ownership, that the arrangements now existing in the Federal Government's program and in the resources and efforts of thousands of building and loan associations, savings banks, insurance companies, and other state and local facilities are adequate to finance home ownership. They say that this being the case, there is no justification for the Government's establishing a corporation to finance other types of real estate, there being social implications in the fostering of home ownership which do not carry over into a situation where the Government would be financing office buildings, hotels, business blocks and other properties owned and operated exclusively for private profit.

"2. That the country should hesitate before adding more devices for creating real estate credit when it is just now emerging from the most excessive amount of urban financing that any country has ever experienced. The proposed bank to buy mortgages without

"CANVASS of institutional lenders, experienced in the mortgage field," says the League, "clearly indicates that they seek safe mortgage business as an employment of funds now at hand in anticipation of the funds' remaining intact and receiving a reasonable interest return. Institutional lenders and many established mortgage brokers do not need or desire a central mortgage bank. The greatest interest in the proposal seems to arise where brokers or concerns desire to originate and sell mortgages for profit."

recourse on all types of property would invite a repetition of the pre-depression excesses in real estate financing.

"3. Since the central bank would have to establish branches and employ agents, appraisers and property managers in all parts of the country, another group of office-holders would grow up with the perfectly human motivation of making business for the bank whether it was needed or not in order to perpetuate their own jobs. Such an addition to Federal Government personnel and activities seems neither wise nor necessary at this time, is the comment.

"4. That the scarcity of mortgage funds which this proposed institution hopes to alleviate always arises in times of business crisis and depression and that there is no indication that in such times a central real estate mortgage bank could market large amounts of securities. Real estate credits are essentially slow or frozen credits, and the funds must be sought from sources which are willing to accept the perils and inconveniences of this type of investment. Such a central mortgage bank would not change the essential character of real estate investments, nor would it liquify mortgages, because it is doubtful whether the bond market or the conservative banking and investment institutions of the country would purchase or absorb large amounts of the securities of this type of an organization, issued in periods of real estate deflation or general financial distress.

"5. That local management, local attention and efficiency in making collections, in checking taxes, and in handling the administrative problems which arise in periods of depression are the essence of safe mortgage lending, particularly if the loans are to go be-

yond the conventional, non-risk, 40-50 per cent point.

"It is appalling to think of the amount of real estate that such a Federal mortgage bank would have owned if it had been operating extensively in the 1920 to 1930 period.

"6. That institutional lenders experienced in the mortgage field are not in favor of this type of bank, and that the great interest in the proposal seems to come from those who desire to originate and sell mortgages for profit. It is pointed out that the continuing responsibility which goes with the risk of loss and the continuing attention of a publicly supervised institution to the servicing of mortgages is largely lost in the proposed bank."

Commenting on section 10 of the bill, which provides that the bank may purchase from its stockholders mortgages without any right of recourse against the seller, such purchase being made in cash at 98 per cent of the unpaid principal plus accrued interest, the statement of the League directors reads:

"Since there is an ample supply of funds to finance worthwhile projects, only such mortgages as could not be placed with established lenders will be sold in the central bank. The safer mortgages can be sold in the community or placed with institutional lenders rather than coming to the Federal mortgage bank with its additional 2 per cent discount charge. The sales are made without recourse. This whole arrangement and competitive situation would tend to direct the poorest mortgages into the Government bank and it would be most difficult to prevent its becoming a dumping ground and to avoid transactions which would result in loss and acquisition of property."



The Model D of Today built for the heavier farm jobs • One of Twelve Models

## A Practical Farm Tractor Must Be Economical to Operate

**T**HIRTEEN years ago John Deere tractor designers were assigned the task of building a farm tractor worthy of the name John Deere—a practical tractor that would do more work for a longer time, at lowest costs.

The result was the John Deere Model D—a tractor with only two cylinders. The Model D was an extremely simple tractor—a tractor the farmer could service himself. It was a sturdy, powerful tractor, yet unusually light in weight for the work it could do.

But, in addition to these qualifications, this tractor successfully burned low-cost money-saving fuels—distillate, furnace oil, fuel oil, stove tops, certain grades of diesel oil—fuels that not only cost much less than gasoline and kerosene but, when successfully burned, produce more power per gallon.



We want every banker interested in farms and farming to have a copy of our new catalog, "Better Farming"—a 104-page booklet that not only covers John Deere two-cylinder tractors but also other labor-saving equipment in the John Deere complete line. Merely tell your stenographer to write to John Deere, Moline, Ill., for a copy of "Better Farming" Booklet B-11.

The Model D became famous almost over night as the economical farm tractor—a tractor easy on the farmer's pocketbook.

Then came new requirements—new uses for farm tractors, which meant not only special types but a variety of sizes. New John Deere tractors were built to meet this new demand—a tractor for every type of crop and for every size of farm. Today there are twelve John Deere models in all—and every model has a two-cylinder engine similar to the original John Deere design.

It is easy to understand why John Deere continues to build only two-cylinder tractors. Simply turn back the pages of experience covering thirteen years of actual farm use, and there is conclusive proof of the economy, the practicability, and the satisfaction of John Deere two-cylinder engine design.

# JOHN DEERE • MOLINE, ILLINOIS

# The Taxation of Thrift

THE Mutual Life Insurance Company of New York, in its 93rd annual report to the policyholders, suggests that, at a time when so much attention is being paid to social security, it is important to bear in mind the tens of millions of insurance owners who, "exercising foresight and self-denial," have voluntarily provided \$98,000,000,000 in protection for themselves and their dependents.

The statement, signed by David F.

Houston, president, adds: "It seems singular, in the circumstances, that governments should now tax these provident individuals and evidence an increasing disposition to tax them. While mutual companies, large and small, pay the taxes in the first instance, the burden necessarily is borne by the policyholders through increased cost of their insurance."

The company notes that at the end of last year the total insurance out-

standing in the world was about \$144,600,000,000, of which the American people, comprising 6 per cent of the earth's population, held an estimated \$98,600,000,000, and that the admitted assets of the old line legal reserve companies in the United States totalled about \$21,800,000,000.

The people of this country also had savings bank deposits of \$22,652,000,000 as against about \$19,000,000,000 for 15 leading European nations, the statement says. They also had \$9,116,000,000 gold reserves against \$11,200,000,000 held by the central reserve banks and governments of 14 other countries.

"Of the farms and crop land harvested in 1930 over 56 per cent was owned. Of the 25,205,000 families in the nation in that year over 14,000,000, or 46.8 per cent, owned their own homes and others could have owned homes but preferred to rent. Of the rural families, 12,532,000—52½ per cent—owned their homes. Our people own approximately 71 per cent of the automobiles of the world, over 44 per cent of the radio sets, 52 per cent of the telephones and 39 per cent of the railroads. They carried on 60 per cent of the world's telephone conversations and sent 66 per cent of the world's telegrams. And further, a matter of the utmost significance, they expended more on education than all the rest of the world for which statistics were available."

THE BEST BOND AND LEDGER PAPERS ARE MADE FROM RAGS

## NEENAH BUSINESS STATIONERY



Includes a rag content bond and ledger for your every banking need. Manufactured by Neenah Paper Company, Neenah, Wisconsin.

IDENTIFY RAG-CONTENT QUALITY BY THE NEENAH OWL WATERMARK

### CLOSED BANKS

William Prentiss, First Deputy Comptroller, has taken charge of the liquidation and reorganization of closed banks



BANKING

# Country Bank Opportunity

AN agricultural survey of a fertile southern county gave one bank an opportunity of which it made excellent use.

The experts who examined the district's resources recommended that the dairying industry, which was on a rather casual basis, be expanded. Ample feed for stock was at hand, the agronomists said, and it seemed as though the community might well enlarge its income by increasing its output of dairy products.

The bank in the county's leading city got busy. It circulated a letter pointing out why farmers who were not then milking cows might go into the business, at least in a small way. Dairy cows, it said, provided a profitable market for surplus labor, especially in the Winter when the cotton farmer had no cash market; a few cows would give him a job the year round and put some money in his pocket each month. Much roughage was being produced in the county, for which there was no market; motor cars did not use hay. Furthermore, the farmers needed to grow more legumes to maintain soil fertility. Live-stock was the chief market for legume hay and dairy cows would be good customers.

## DEPENDABLE INCOME

ALSO, the circular said, the market price of dairy products was fairly stable and they offered a regular monthly income. As for the stock, perhaps the county could not get as many cows as it might want at a reasonable price, but when the demand increased steps would be taken to meet it. Incidentally, there was money in calves.

But expansion of the dairy industry, the bank stated, meant more than buying cows. It meant careful feeding, elimination of unprofitable producers, and improved breeding.

This was the plan in theory. To help work it out in practice the bank joined with the local creamery and the local state bank in purchasing a registered bull for the purpose of improving the community's dairy herds.

The bank's enterprise brought profits both directly and indirectly. It made loans to farmers for the construction of new barns or for the remodeling of old ones. And it had the satisfaction of watching the dairy industry add to the income of its section.

April 1936



## "The Telephone belongs to Main Street"—Walter S. Gifford

The American Telephone and Telegraph Company, which has supplied the greater part of the new capital to build the Bell System, is owned by men and women in every state of the Union. Nobody owns as much as 1% of the stock. The average holding is 28 shares. So, from the standpoint of ownership, as well as service, the telephone is of, by, and for the people.



BELL TELEPHONE SYSTEM

## SAVING WITH SAFETY

The Associated Mutuals Have All Had a Very Good 1935.  
They Have All Paid Big Dividends, but This Is a Habit.  
They Have Been Doing It with Safety for  
the Past Forty Years

## ASSOCIATED LUMBER MUTUALS

*Established*

Lumber Mutual Fire Insurance Co., Boston, Mass. . . . . 1895  
Lumbermens Mutual Insurance Co., Mansfield, Ohio. . . . . 1895  
Pennsylvania Lumbermens Mutual Fire Ins. Co., Philadelphia, Pa. . . . . 1895  
Indiana Lumbermens Mutual Insurance Co., Indianapolis, Indiana. . . . . 1897  
Northwestern Mutual Fire Assoc., Seattle, Wash. . . . . 1901

MEMBER OF AMERICAN MUTUAL ALLIANCE

COMBINED ASSETS  
\$23,353,943.41



COMBINED SURPLUS  
\$11,918,035.22

# Timely Bank Exhibits

**B**ANKS possessing what the journalist calls "a nose for news" are often able to broaden their public contacts by associating themselves with events of local interest.

In a series of articles published last year, **BANKING** reported on the use of bank lobby and window space for displays of customer products, banking services and non-commercial community activities. Many variations of this promotional idea were mentioned, and others are constantly being developed.

Interesting examples of enterprise along this line were described to the recent Eastern Savings Conference by John J. McCann, Jr., advertising director of the National Savings Bank, Albany, New York. This bank believes that organized groups—chambers of commerce, merchants associations, parent-teacher organizations, etc.—offer new approaches to the old problem of developing public relations. It has observed that all such groups have one thing in common, that is, the news value of their activities, and the bank, Mr. McCann said, has tried to ally itself with them, whenever timely or desirable, in order to share in the popular interest they command.

When, for example, the bonus bill became law and the heavy demand for application blanks taxed local facilities for filing the papers, the bank offered a small room off its main lobby as a bonus headquarters. The proposal was gladly accepted and the institution was appointed official Legion bank by the county commander of the American Legion.

On the day the first application blanks arrived from Washington the bank had an attractive booth set up in the room, and printed an announcement in the newspapers inviting veterans to make use of the temporary service it was establishing. Bank employees were placed in charge of the booth to help veterans prepare the blanks, including finger printing and notary acknowledgment. Of the 6,000 ex-service men in the country, a large proportion took advantage of the opportunity.

"The general reaction," Mr. McCann said, "has been most satisfying. Every veteran we served will undoubtedly associate our service with his bonus money. Of course, our eye for new business is not the only reason we are glad to put ourselves in the position of helping veterans. We feel that this extra

service is not only needed but that it also helps us build up a public impression of the usefulness of the bank."

Some time ago the Albany Advertising Club, in conjunction with the American Typothetae and Allied Craftsmen of the district, decided to hold a graphic arts exhibition. The bank proposed that the show be staged on its mezzanine floor. It was an ideal location.

"There was no other place in our downtown section to accommodate the exhibition," said Mr. McCann, "and furthermore it gave us an excellent opportunity to show off our bank. The mezzanine is situated in the rear and extends the width of the building. It affords a bird's-eye view of the compact unit system tellers' department in the center of the lobby and the officers' quarters and other departments which run along the side.

"Needless to say our offer was more than welcome. When the combined clubs finally completed their decorations we certainly had an impressive sight. Row after row of tables held more than 200 panels of fine printing, engraving, lithography and other forms of the

graphic arts. Each member of the various groups was represented by his best work of the year. And since many of the pieces on display were advertising folders, pamphlets, books and whatnot, it consequently drew widespread attention among our merchants and business people.

"The clubs ran a large announcement in the newspapers and mailed special invitations to their membership and all others who had an interest in the material. The printing firms and engraving houses released their employees during working hours so that all who had a hand in the creation of the exhibit might have a chance to see it.

"The newspapers were, of course, generous with publicity, being themselves a form of the graphic arts. Many pictures were taken and played up along with news stories. For three weeks we basked in reflected glory."

For the bank, the exhibition was a means to an end. It drew into the institution thousands of people, many of them for the first time. It developed a human relationship and gave the institution a chance to sell itself.

It's No  
Accident  
We Have  
Accidents



SHOEMAKER IN THE CHICAGO DAILY NEWS  
**BANKING**

# Bank Consolidations

PLANS of the Federal Deposit Insurance Corporation for further strengthening the country's banking structure by eliminating uneconomic institutions were disclosed by Chairman Leo T. Crowley when he asked Congress to extend for two years from July 1 next the period in which the reconstruction process can be carried on.

The F.D.I.C., Mr. Crowley said, had made commitments to close 100 banks in six states, consolidating them with stronger institutions. Given a time extension, it is expected that the corporation's program will bring the elimination of a considerably larger number.

The last session of Congress authorized the F.D.I.C. to buy assets or make loans to facilitate mergers and consolidations of insured institutions when such steps seemed advisable in the interests of averting risks from losses.

Mr. Crowley emphasized that the chartering authorities must cooperate so as to prevent the establishment of uneconomic banks.

"We feel," he also said, "that if the right to purchase assets or make loans were made permanent or extended beyond two years there would be a general indifference on the part of banks and supervisory authorities to the necessity of eliminating weak banks through the method afforded by the provision of the bank act now under consideration.

"Our records indicated that a great many uneconomic banks were extended the benefits of deposit insurance because the original law compelled us to admit banks which were merely solvent. This fact, coupled with the low earning power of these institutions, convinces us that it will be far cheaper for the corporation in the long run to merge the unsound banks with the stronger and better ones.

"I know of no other plan by which the corporation can protect itself from severe loss and by which the necessary corrections in the banking system can be brought about."

## F.H.A. Loan Defaults

A GENERAL misunderstanding concerning the policy of the Federal Housing Administration in handling cases of default on loans made under the National Housing Act has been

brought to the attention of Administrator Stewart McDonald by approved financial institutions in many parts of the country, the F.H.A. reports. With this in mind, the Administration detailed this policy:

### PROCEDURE

WHEN a borrower under the modernization credit plan defaults on a loan, the lending institution files claim with the Housing Administration for the insurance on the loan. The matter of collecting the defaulted obligation then is turned over to the Federal Housing Administration.

"In such cases," Administrator McDonald said, "it will be the policy of the Federal Housing Administration to be just as rigid as the Treasury department in the collection of taxes. The collection machinery is well organized and, while every reasonable consideration will be given to borrowers in default, the public must not get the impression that the Housing Administration will be lax in performing its duty.

"There is no reason to assume that borrowers in default will be treated like tax evaders, but rather along the same lines as an individual who is in default of tax payments."

## A MATTER OF MINUTES



Cleveland's air line proximity to other great industrial centers may be measured in minutes:

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|   |
|---|
| 55 minutes to Detroit's automobiles         |
| 15 minutes to Akron's rubber                |
| 131 minutes to Chicago's stores and packers |
| 171 minutes to Louisville's tobacco         |
| 55 minutes to Pittsburgh's steel            |

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... And within itself, one of the major centers of diversified manufacture, heavy industry and lake traffic.

This nearness is translated into speed through National City's day and night transit; items are received *and despatched*, even in the "small hours" of the night.

Let us outline to you, in correspondence, the time you would save through a National City relationship.



## THE NATIONAL CITY BANK OF CLEVELAND

MEMBER OF FEDERAL DEPOSIT INSURANCE CORPORATION

CLEVELAND'S OLDEST BANK—FOUNDED 1845



Insurance has come through the years shoulder to shoulder with American business; a little grim and gaunt at times, but flag flying and victorious nevertheless. The strength of insurance has always been an added bulwark of finance. Check the safety of your investments by determining the adequacy of the insurance protecting them. Our representatives will be glad to lend their expert aid.

**THE PHOENIX**  
Insurance Company  
of  
Hartford, Conn.

Cash Capital . . . . . \$ 6,000,000.00  
Net Surplus . . . . . 24,839,324.64  
Assets . . . . . 41,432,562.20

*Time Tried and Fire Tested  
Since 1854*

## The Social Credit Mirage

(CONTINUED FROM PAGE 26)

of regarding money itself as purchasing power, instead of recognizing it as a symbol of purchasing power, derived from the production and distribution of goods and the rendering of services. True, the issue of a large supply of new money has the immediate effect of stimulating trade, but, unless it results from new production of and demand for goods in corresponding degree, it acts merely as an inflationary influence which sets in motion forces destructive of all values and ends in acute distress for most of those who are supposed to be the chief beneficiaries. Any confirmed Douglasite strenuously denies that Social Credit holds any possibility of inflation, but if it were not for space considerations here that aspect of the plan could easily be revealed.

In Major Douglas' own country, Great Britain, it is a matter of public record that the amount of money available—counting money as currency, coin and bank deposits—is fully equal to that held in 1929, yet the unemployed, without purchasing power of their own making, now number almost twice as many

as six years ago. Similar conditions prevail in Canada—the total money supply is practically equal to that of 1929 and unemployment is at least twice normal. As these two countries have been free from any serious banking troubles, it cannot be suggested that any part of their money supplies represented by public savings in the form of bank deposits has been lost or even temporarily frozen. Yet neither country's money flows as freely as in 1929. Why? Not because bankers withhold it from the public, but because a depression which was well under way before there were any serious financial strains anywhere in the world threw millions out of work and deprived them of any claims upon the money supplies, other than those of a bare living through public relief. There is a deficiency of purchasing power among the unemployed, but as a result of a *deficiency of work available*, due to causes outside the monetary sphere. Given a stable, efficient financial system, the volume and turnover (frequency of use) of money will be equal to the volume and activity of trade.



While There,  
They May  
As Well Look  
Over the  
Old Ones

BROWN IN THE NEW YORK HERALD TRIBUNE

As every banker knows, bank funds are lent, repaid and re-lent throughout the year. Indeed, bank loan liquidation should be regarded as a healthy development, rather than as an economic depressant, as Major Douglas infers. The repayment of one loan is usually followed by the granting of another, the process being repeated over and over again as commodities move through the various stages of production, distribution and consumption, national and international. It is when nationalistic mania, expressed in excessive tariff making and the other trade restrictions so ingeniously devised in recent years, interferes with the laws of economics that business activity slows down and bankers find, to their loss of profit and peace of mind, a narrowing outlet for commercial loans. All these elementary facts are ignored by Major Douglas.

#### OTHER ELEMENTARY FACTS

IT is not to be denied that charges against goods for interest on borrowed money necessary to finance production and distribution and for insurance and reserves add to the cost of these goods to the consumers. So also do wages and transportation charges. But the statement that the first-mentioned charges are extracted from the public without compensating benefits—in other words, that money is not issued to cover them and that they do not in themselves turn into purchasing power—is certainly to be denied. Bank interest and insurance premiums are not retained by the institutions which collect these charges but are mainly distributed, first, as wages, salaries and other operating expenditures; secondly, as dividends to shareholders; and thirdly, as appropriations for reserves, which are not buried, as Douglasites believe, but which are disbursed in the form of investments. Depreciation charges mean, sooner or later, plant renewals or extensions which involve new expenditures for which money must be provided. Nor do the original recipients of all these payments usually hold them intact; in the absence of hoarding, the payments are transferred to other people in return for goods, services or investments. And so they flow down the many channels of trade and finance.

There might be added to the foregoing analysis the verdict of a Commission of Enquiry, made up of a number of brilliant Socialist economists appointed by the British Labor Party, namely, that "the scheme is theoretically unsound and unworkable in practice".

In this judgment, following a most

exhaustive examination, there is the strongest condemnation of Social Credit ever uttered, for the plan failed to appeal to Socialists bent upon ending poverty in the midst of plenty, and they surely would have embraced it if it had any promise of success in practice.

Let us assume, at least from a charitable point of view, that all monetary reformers are motivated by a humanitarian desire to end poverty and distress. One can give as much credit in this respect to the proponents of Social Credit, whether it be of the Soddy, Eisler, Aberhart, Douglas or Townsend type, as to the originators of other new

monetary systems, including governments who have preferred money expansion alone, with a consequent heightening of unproductive public debt, to trade expansion, which generally pays its own way and makes goods available the world over. But for years past, as in periods of medieval economic controversies, money has been held up by a host of reformers as the governing factor in the welfare of mankind, to the neglect of reasons for a great mass of unemployed without the means of making money. So we have Social Credit as the bitter fruit of this era of superficial reasoning.

## IN AMERICA'S INDUSTRIAL CENTER

WHEN corporations and individuals move from your city to the Newark territory, give them a letter of introduction to New Jersey's largest bank.



**FIDELITY UNION  
TRUST COMPANY**  
NEWARK EAST ORANGE  
*New Jersey*

MEMBER...FEDERAL RESERVE SYSTEM...  
FEDERAL DEPOSIT INSURANCE CORPORATION

# History of Wills in California

IN an illustrated booklet entitled *Wills and Estates in California*, the trust department of the Security-First National Bank of Los Angeles makes an attractive approach to the subject of estate planning and disposition.

The text presents the interesting background of wills, succession, administration and trusts in California, emphasizing the Spanish heritage and showing how it has influenced, at several points, the legal code now governing affairs of property. Considerable information with regard to present requirements of the law is also provided.

The reader learns that Spanish soldiers and sailors who visited California in the 16th century are believed to have made the first wills in the state. Under the laws of Seville and Toledo, which followed the old adventurers to the new world, two types of wills—written and oral—were provided for, the latter being especially designed for Spain's military and naval forces and persons who lived in far places. A verbal will is believed to have been made by the explorer Cabrillo, who died on his ship off the Cali-

fornia coast on January 3, 1543, after gathering his followers about him and expressing to them his final wishes.

"Provisions for both types of wills have survived the centuries," the booklet recalls, "and appear in the California Probate Code of today in form not unlike that in which they appeared in Spanish legal codes of the Sixteenth Century. A present-day verbal will in California may dispose of personal property only, and the estate must not exceed one thousand dollars in value."

The chapter on succession recalls that under early Spanish laws an heir could not be deprived of his portion except for good cause.

## CAUSE FOR DISINHERITANCE

"A SPANISH code of the Sixteenth Century states that an heir may be disinherited: 'If he be a bull-fighter, play-actor, or mountebank by profession, . . . when he has refused to redeem his father from captivity . . . when a woman, after the father had procured her a suitable marriage, has refused to marry.'

"It was required that these sins be listed in the will if the disinheritance of the heir was to be legal. The modern code shows in part a survival of this early Spanish law in the requirement that a disinherited child must be *mentioned* by will. No share need be left the child, however, or reasons given. Merely the intention to disinherit must be indicated, in the absence of which the child will take under the laws of succession."

Early California miners and frontiersmen recognized the need for protection of estates of deceased persons.

"On January 30, 1850, a small group met in the Jacksonville gold diggings and decreed that in case of death of a resident of the encampment, the alcalde (mayor) should take charge of his effects and dispose of them for the benefit of his relatives or friends."

The trust idea in California was contemporaneous with the founding of the missions.

"The grant of California lands and properties to ecclesiastical orders for the work of Christianizing the Indians extended only to 'occupation and use.' Title was retained in the King of Spain. It was the original intention that after ten years the lands should be turned over to the King's wards, the Indians. It was in accordance with this plan that the first private land grant in the state, November 22, 1775, was made to Margarita, a daughter of the Mission, and her husband. In a sense, these two may be said to be the first trust beneficiaries to be named in California."

At the end of the booklet the bank prints a brief statement which says that if the information offered has interested the reader in estate planning and methods of disposing of property, the book has served its purpose:

"To obtain specific advice as to the application of this general subject to one's own affairs, or to carry some cherished plan into legal effect, we urge you to obtain the service of experienced legal counsel. This bank does not furnish such legal service. We endeavor to work in the closest harmony with members of the Bar and so to correlate our services with those of the lawyer that our patrons will obtain the maximum of legal safety and the best in fiduciary service. There is no better combination for the management of one's property, both during lifetime and after death, than the harmonious cooperation of a good lawyer and a good trust company."

## The FORT WORTH NATIONAL Bank

Statement of Condition as of March 4, 1936

### RESOURCES

|                                       |                        |
|---------------------------------------|------------------------|
| Cash and Deposits with Others         | \$15,927,970.61        |
| United States Government Obligations  | 7,350,694.50           |
| Municipal and Land Bank Securities    | 3,338,017.32           |
| Other Securities                      | 657,292.86             |
| Stock Federal Reserve Bank            | 98,250.00              |
| Loans and Discounts                   | 13,703,603.64          |
| Interest Earned—Uncollected           | 123,712.42             |
| Investment in Banking Premises        | \$1,300,000.00         |
| Building Bonds Owned (Entire Issue)   | 570,000.00             |
| Furniture and Fixtures                | 1.00                   |
| Other Real Estate                     | 1.00                   |
| Customers Liability—Letters of Credit | 1,000.00               |
| Assets in Liquidation                 | 1.00                   |
| Other Resources                       | 31,099.67              |
| <b>TOTAL</b>                          | <b>\$43,101,644.02</b> |

### LIABILITIES

|  |                        |
|--|------------------------|
| Deposits:                                |                        |
| Individual                               | \$24,139,000.75        |
| Bank                                     | 11,778,617.31          |
| U. S. Government                         | 90,380.55              |
| State, County and City                   | 2,977,304.30           |
| Letters of Credit—Issued or Guaranteed   | 1,000.00               |
| Interest Collected—Unearned              | 66,994.54              |
| Reserve for Interest, Taxes and Expenses | 100,306.26             |
| Capital Account:                         |                        |
| Preferred Stock                          | \$1,000,000.00         |
| Common Stock                             | 1,500,000.00           |
| Surplus                                  | 775,000.00             |
| Undivided Profits                        | 627,577.91             |
| Preferred Stock Retirement Fund          | 45,462.40              |
| <b>TOTAL</b>                             | <b>\$43,101,644.02</b> |

U. S. Government obligations and other securities carried at \$3,104,681.85 in the above statement are deposited to secure public funds and for other purposes required by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

## Investment Weather

(CONTINUED FROM PAGE 24)

of \$60,000,000,000. This potential addition alone is twice the total of 1929.

The increase in the gold stocks has resulted from (1) the mark-up by the Government of the price of the metal by 70 per cent, and (2) our amazingly large imports of the metal since the stabilization of the dollar at its new level in February 1934. So far as the mark-up is concerned it was the most sensational in the world's history.

### 1900 WAS DIFFERENT

TO SUM up: In 1900, it was merely necessary for business to show a modest improvement to cause a tightening of the money market. Today, thanks to the strides (?) that have been made in monetary management, we have provided ourselves with sufficient credit so that if we wished we could permit a boom of proportions which would dwarf any that have ever taken place before. Only half of the member bank reserves are being used at the present time, despite the great expansion that has taken place in business and the security markets. It can be seen, therefore, that to draw any definite conclusions from the experience of a generation ago would be a great mistake.

Does this mean, then, that we are in for an indefinite period of easy money and mounting bond prices? The answer to that is a different story, and no man can do more than hazard certain suggestions. One of these is that the likelihood is that we shall have to face the prospect of a tightening of the money market in the not too distant future, though not because of expanding business. One possibility is wartime inflation, which we could easily experience even without participating, ourselves, in another war. Another, and more important one, is a tightening of the money market arbitrarily by the Board of Governors of the Federal Reserve System as a result of evidence of a dangerous credit boom. It is the writer's own opinion that this is the way deflation will come. But predicting what will happen when certain natural forces meet, as they did in 1900, and predicting what human beings will do are two separate and distinct problems. And the latter is particularly difficult in the face of a situation in which deficit financing is as important as it now is. Only this can be said: If tight money comes before we attain a reasonable balance of the budget it is almost certain to be the result of purely fortuitous factors.

April 1936

# Massachusetts Investors Trust

ESTABLISHED 1924

PROSPECTUS ON REQUEST



MASSACHUSETTS DISTRIBUTORS, INC.

General Distributors

85 DEVONSHIRE STREET, BOSTON

NEW YORK

CHICAGO

LOS ANGELES

OUR AGENTS THROUGHOUT THE COUNTRY ARE ESPECIALLY  
EQUIPPED TO SERVE THE INTERESTS OF BANKS  
AND TRUST COMPANIES



THE UNRIVALLED FACILITIES OF  
**THE NATIONAL FIRE GROUP**  
ARE ALWAYS AT THE COMMAND OF OUR AGENTS EVERYWHERE

From Annual Statements, December 31, 1935

# NEW BOOKS

## A Practical Guide

**MANUAL OF PROCEDURE IN CONSTRUCTIVE CUSTOMER RELATIONS.** Published by the Public Education Commission, American Bankers Association, New York, 1936. 173 pages.

**THIS** is the fifth treatise issued on the subject by the Association since the constructive customer relations program was undertaken about two years ago. The manual is an outgrowth of the clinics held at the 1934 and 1935 Conventions and was prepared to serve as a guide to banks in the development of their own activities along this line. The experiences of banks and bankers' associations have been drawn on.

## The Problem of INVESTMENT

By F. I. Shaffner

A comprehensive, brilliant and well-balanced discussion of the many complicated phases of the investment problem. The banker who must advise his clients as to the proper investment of funds will find in this book a useful analysis of the risks attendant upon investment today and the safeguards that have been set up.

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"None of the material in this book is theoretical or visionary," writes Dr. Harold Stonier, Educational Director of the Association, in the preface. "It has all been developed from the experiences of forward-looking institutions which have an appreciation of the problems of public understanding and which have proceeded as best they knew how to meet the problem of internal training of the staff. In the final analysis, each bank presents an individual problem. While the fundamental objectives may be the same throughout the country, the methods of attaining them in the individual banks will necessarily differ in many respects."

The manual tells how to arouse interest in the program, how to select conference leaders for customer relations work, how to train them, how to organize intrabank conferences (with examples of such conferences in operation in banks of various size), how to use skits to dramatize the subject, and what to do after the first series of conferences. There is a final chapter describing state bankers' association programs in constructive customer relations in Illinois, Kansas, Michigan, Minnesota, Wisconsin, Ohio, Oregon, Tennessee and Washington.

## Midland's Centenary

**A HUNDRED YEARS OF JOINT STOCK BANKING.** By W. F. Crick and J. E. Wadsworth. Hodder & Stoughton, London, 1936. 464 pages. 15s.

A Macaulay might use this book as the vehicle for an essay on economic evolution, although he would have difficulty in adding a great deal to the phase of the subject which these joint authors discuss so admirably.

Particularly, Messrs. Crick and Wadsworth recount the growth of joint stock banking in Great Britain from humble beginnings to its present position of successful achievement. However, they have actually gone much further, for they have developed their material in the light of its relationship to British industrial and financial development during a century of momentous change.

The book commemorates the centenary of the Midland Bank and is the product of that great institution's intelligence department. It is distinguished by scholarship, careful preparation, and illuminating analysis. Far more than being the history of a banking

institution, it is the picture of an era that was called upon to meet the inevitable consequences and challenges of the economic revolution.

In a foreword, the Right Honorable Reginald McKenna recalls that during the century the consolidation process in commerce and industry led to an expansion of individual business units more remarkable than the growth of population which the rise of the new system stimulated. Companies replaced small-scale productive enterprises, and the companies themselves were absorbed into huge "corporate entities of vast capital resources and scope of operations", a change that found expression in all business. And nowhere has consolidation been more marked than in the field of finance, which is the especial sphere of this book.

A notable characteristic of evolution in commercial banking, the authors state in their introduction, "lies in the fact that it constitutes a process of adaptation to changing external conditions. We are here engaged, therefore, not only in exemplifying the progress of banking over the past century, but also in presenting a study of response in structure and method to changing needs. True, the response was delayed and at times distorted by extraneous forces, chiefly in the field of legislation, yet under the ceaseless pressure of economic needs the process was inevitable."

The introduction sets the scene for the book by sketching clearly the economic background of the hundred years that witnessed the rise of the British joint stock banks. Then follows a review of British banking in the period, calling to mind the struggles of the joint stock institutions against opposition from various sources, their adaptation and adjustment to swiftly changing conditions, and their ultimate vigorous growth.

Interesting studies of the banking units that eventually formed the Midland reflect the problems which confronted management in the highly industrialized districts wherein the bank grew up. There are also biographical sketches of Thomas Leyland, Charles Geach, George Rae and Edward Holden, names prominent in the annals of British banking.

The volume is considerably more than a marker for an important anniversary of one bank; it is a valuable contribution to the literature of the banking profession.

## "Evangelical Economics"

THE TOWNSEND PLAN: TAXING FOR SIXTY. By Nicholas Roosevelt. Doubleday Doran, 1936. 81 pages. 50 cents.

Many readers of this little volume will be impressed not so much with its logic as by the circumstances that prompted its appearance. They are well aware that however deeply the now famous Plan may some day be embedded in oblivion, it has to date acquired political potentialities and a few real achievements which no doubt merit the dignity of the able refutation Mr. Roosevelt provides.

One can easily agree with the author that the scheme of the California doctor is "a delusion and a snare," but its millions of friends and supporters, having listened to other arguments, have other answers. Until education intervenes successfully, the old lure of something for nothing will not lose its attraction, and the weight of public support for what Mr. Roosevelt terms "evangelical economics" will continue to press against the doors of the Capitol during periods of uncertainty.

The author presents his story concisely, fairly and convincingly. He begins with the origin of the idea, tracing its growth and showing how well the movement has been organized. He makes numerous quotations from Plan literature and propaganda, explains the Townsend tax proposal, and shows how fantastically impractical and impossible the whole Plan is.

"The basic economic facts," he observes, "are simple: that if 8,000,000 people are to be supported permanently in enforced idleness they will have to be supported by those who work; that the tax to provide the pensions for the enforced idle will come out of the national income; that the national income is the product of the nation's mines, fields, factories, hands and heads; that this income cannot be increased by taking a part of it from one group to give to another to live in idleness; that the 20 billion dollars to be spent each year by the Townsend pensioners will come out of this national income and will not be increased one cent in value by being transferred from one group to another; and that, finally, the only possible way of creating more income is by increased production, and the only sure way to distribute income more equitably is by cheapening the costs of production so that each dollar of the consumer will buy more goods rather than less.

"Santa Claus cannot furnish a short cut. Neither does the Townsend Plan. The sooner the Townsend followers

realize this the better for all concerned. As the country pulls out of the depression it will discard, one by one, the crackpot economic notions which in this as in preceding depressions have been ardently advocated by many persons. Sound economic principles are already asserting themselves. The Townsend Plan will soon have passed into history."

Society's rôle, Mr. Roosevelt observes, "is to lend a hand, not to nurture parasites." A sound old-age pension policy, he believes, is essential, but it is hampered by raising extravagant hopes and advocating "the impossible methods of the Townsend Plan."

There is a foreword by Lewis W. Douglas who says the Townsend movement "threatens to become a political cyclone before it spends its force."

### Important Problems

NATIONAL ECONOMIC SECURITY. By Arthur B. Adams. University of Oklahoma Press, 1936. 327 pages. \$2.50.

This book is an analysis of our present national economic situation. It also outlines what the author believes is the correct basis for the formulation of sound and permanent national policies for handling the economic problems that have resulted from defects in the industrial system.

Mr. Adams, who has been dean of the

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College of Business Administration at the University of Oklahoma since 1923, examines the New Deal's recovery campaign, and offers a number of suggestions as to how the program could be revised to meet the nation's needs. Many readers will not agree with various conclusions and recommendations he makes, but the book is a well framed presentation of the author's viewpoint.

He believes that under present methods of production and of income distribution, operation of natural economic laws cannot be depended upon to eliminate unemployment or provide

adequate consumer purchasing power. To remedy the "fundamentally bad features" of our industrial system's operation, he holds that more regulation and control must be exercised by the Federal Government over distribution of the national money income and the weekly hours of labor. This control, he feels, should "prevent the overcapitalizing of business enterprises and should influence interest, profit and wage rates in such a manner as to give laborers and other small income receivers a relatively larger percentage of the national income." Also, it should break up the largest estates and reduce the "very large personal incomes".

It is Mr. Adams' opinion that for the present at least all or a large part of the unemployed cannot be absorbed by "artificially increasing industrial activity." More immediate progress in that direction can be made by reducing the weekly working hours of all industrial laborers. Both the consumption and capital goods industries should be expanded. Business and industry are slowly recovering, "though the recovery is not on an entirely sound basis."

"Such a business recovery," says the author, "can come about only as consumers' purchasing power is increased enough to enable them to buy the goods of the expanding consumers' goods industries. To the extent to which many of the present recovery measures of the Federal Administration actually stimulate business recovery, they do not stimulate it in a manner to bring about permanent recovery."

## Two New Editions

**INVESTMENT PRINCIPLES AND PRACTICES.** By Ralph Eastman Badger and Harry G. Guthmann. Prentice-Hall, Inc., New York, 1936. 987 pages. \$6.

Numerous investment treatises of pre-depression vintage have undergone considerable revision in the light of post-1929 experiences, and Dr. Badger's book bearing the above title, first published in 1928, has now been brought up to date. In the revision he had the collaboration of Professor Guthmann.

The main outline of the text, covering the investment field broadly, has not been changed in this new edition, but much material has been added, covering not only the depression period but the New Era days preceding it.

A valuable feature is the series of common stock studies, which has been augmented. The present book also considers the many economic and legal changes which have especially affected railroads, banks, utilities and insurance companies during the last few years.

**INVESTMENT FUNDAMENTALS.** By Roger W. Babson. Harper & Brothers, New York, 1935. 342 pages. \$3.

This also is a revised edition of an earlier work, brought up to date and published at the close of last year.

Mr. Babson's purpose is "to help investors save consistently, invest wisely and profit well." He describes various kinds of investments, and offers a general groundwork for intelligent investment procedure.

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by dan throop smith

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February 20, 1936

Treasurer

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WIDE WORLD  
BANKING

# Recovering Charged-Off Loans

AS business activity increases, the chances that many banks can make substantial recoveries of loans written off the books as well nigh hopeless also increase. Writing in the January issue of *BANKING*, E. S. Woolley pointed out the opportunities in this connection, where loans were secured by stock exchange collateral, but even greater opportunities would seem to exist in the field of unsecured loans.

Of course, many unsecured loans are uncollectible. Bankruptcy has taken its toll in some cases and time in others, but in many instances the borrower is anxious to liquidate his indebtedness if the creditor bank will offer him a helping hand. Quite often he may not know what kind of help he needs. Nor can any hard and fast rule be laid down whereby the bank can render assistance. The salvaging of charged-off unsecured paper is not a matter of routine. Each loan is a separate problem, usually a personal one, and thus demands sympathetic personal attention.

Recognizing this, a large and conservative metropolitan bank has long followed the practice of turning charged-off loans over to individual officers for attention. The officer, who may be anyone in the institution's official family, is tied by no rules. Rather, he is simply told: "It's your baby, see what you can do with it."

## CASE OF BORROWER BROWN

THE elasticity of these instructions makes procedure vary widely in each case, although the same general pattern, designed to make a recovery for the bank and at the same time to rehabilitate the borrower and his business, is always in evidence.

A typical instance of how this is often accomplished is that of borrower Brown, a sub-contractor in the building industry, who about five years ago got into financial difficulties because he failed to practice economies as the gross income of his business declined. Eventually this failure to match outgo and income resulted in Brown's bank loan being written off as too doubtful to carry as an asset, and its assignment to an officer for personal attention. The ensuing investigation convinced the officer that Brown was completely honest, that he was capable in his line of work, and that, if the bank was ever to get its money back it must supply Brown with the business-like qualities that he so sadly lacked. Also, the officer

concluded that Brown would need, even after his loan was paid, a substantial reserve fund to finance his operations.

To start at a solution of this multiple problem the banker told Brown to go out and secure a fair sized contract and to report back to the bank when he had it. Within a few days Brown said he had the contract, but that he would need \$5,000 credit to finance it. Inasmuch as the banker had known that Brown had neither capital nor credit this was not an unexpected contingency and the bank lent the necessary funds, but under special safeguards. These included the formation of a virtual trusteeship to handle disbursements from the proceeds of the loan. To save Brown all possible embarrassment, he was allowed to draw checks in the usual way, but before the bank paid them, they had to be countersigned by his officer-guardian. Similarly, as Brown was paid for work done, he turned the proceeds over to the bank in their entirety. Other than a small weekly salary he drew no money for himself.

## TANGIBLE RESULTS

AS a result of these methods, the advance of \$5,000 was returned to the bank in about six weeks and there was a \$1,000 residue of profit from the operation. This was distributed by applying \$350 against Brown's old loan and by placing \$650 to Brown's credit in a special account in the bank, which, however, could be drawn on only as the officer-guardian approved the vouchers.

The purpose of this account was twofold: first, to protect the bank in case losses developed from Brown's future operations and second, eventually to supply Brown with the capital that he needed for independent operations.

Using this same procedure on subsequent contracts, Brown's affairs remained under the bank's guidance for two years. At the end of that time he had managed to retire his original loan, once written off the bank's books, and had accumulated a cash reserve of approximately \$10,000.

The bank's work and time involved in this transaction was considerable, but that it was worth while is hardly subject to dispute. The loan was recovered, for one thing. For another, during the two years it took to recover the loss, the bank had an active and profitable borrowing account. And, last, but more important, perhaps, than the

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other two considerations, the bank secured Brown's lasting good will. When the institution stepped in to collect its loan Brown was reduced to working at odd-jobs. When the loan was liquidated he had a substantial business based on a firm foundation. For this he can, and does, thank the bank. Both he and the

bank feel that the two years required to achieve this result was time well spent. Indeed, it is not unusual for this particular bank to look ahead for even longer periods in cases requiring similar treatment.

Of course, not all sick loans are ailing because of the lack of business sense on

the part of the borrower. Nor is a return to health always a matter of years. Sometimes it has been found that a business was trying to do too large a volume on too small a capital. In other cases the difficulty has been due to poor location or slow collections. Because of his detachment, the trouble is obvious to the banker whereas it would not be to the business man who lived with it every day. However, once he knows what the trouble is, the business man usually knows what corrective steps to take and can bring his enterprise back to health in a comparatively short time.

#### METHODS WILL VARY

ESSENTIALLY, therefore, the collection of defaulted loans may depend on the ability of the banker to diagnose the borrower's trouble rather than on stern collection methods. In the case of Brown, for example, a judgment would have done no good, because he had nothing attachable and a suit would have simply antagonized him. On the other hand the method followed enlisted his cooperation and collected the loan. In instances where the borrower is suspected of concealing assets there is, of course, no reason why he should be shown leniency, but in those where his integrity is not subject to question the above method seems highly practical.

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BANKING

# Bankers by Training

A YOUNG man with a leaning toward history recently reminded me that in the early days running a bank seemed to be more or less personal. The banker dealt directly with each patron, like the town grocer, and that practice is perhaps followed in a few small country banks today. An individual who knows a great deal about banking but not so much about selecting bank personnel observed not long ago that it would be a good thing if he could transact all of his bank's business without assistance, because he had had one or two sad experiences with his clerks and was not inclined to devote much attention to their training.

Generally speaking, the officers of a bank, like the executives of any other establishment, cannot serve personally or even meet every patron and every caller. The majority of people must be taken care of by the man at the teller's window. He is the banker's ambassador to the public.

## THE CARELESS WORD

THE bank clerk's duties involve human relationships, and he must be educated to understand and appreciate this vital fact. Bankers are enthusiastic about the idea of educating the public to understand banks and banking processes, but we can educate the public from now until the crack of doom without accomplishing a thing, unless we teach our bank attachés to support this worthy program. In my judgment that comes first. One careless remark, one ill-timed gesture on the part of a bank clerk, will ruin any favorable impression.

Every bank must seek and maintain relations with its customers based upon understanding, confidence and good will. For example, we must make our customers realize that we appreciate the fact that we are using their money, not our own. More than that, we must make our employees appreciate it. If a bank teller, in accepting a deposit, adopts the hard-boiled attitude of an instalment collector taking money for a debt, if the teller acts as if he is doing

the depositor a favor, it is obvious how that customer will feel toward the bank. To the customer, that teller is the bank. You may say: "Well, if a teller of that sort were working for me, I'd fire him!" Yes, you would feel like it; but even a teller of that sort might not be a total loss. He may be competent and accurate as far as his routine duties are concerned, and it is possible to develop that man into a valuable member of the bank staff. Education may save him, may transform him from a liability into an asset, may possibly straighten him out so that he becomes promising material for advancement. Only a few cases are really hopeless.

Our institution has taken a definite forward step in preparing the staff to function as real "ambassadors to the public". We recently said to our employees: "To keep abreast of the requirements of modern banking and to maintain our prestige it is believed that a well organized series of banking conferences is needed. These conferences will be directed to the building up of our knowledge of the new responsibilities of bankers and to the development of our methods of dealing with customers and the public."

We decided to follow, insofar as practicable, the plan of the Graduate School of Banking recently inaugurated at Rutgers University. We have made arrangements with Rutgers to supervise the program. Our conferences have been addressed by such authorities as Dr. Harold Stonier, Educational Director of the American Institute of Banking, Professors J. H. Vertrees, M. James Brines and Carl G. Gaum, all men of reputation in their own fields.

There were 12 group conferences of one and one-half hours each. We also held eight evening mass meetings, the first of which was a dinner meeting ad-

dressed by the president of the bank. At that meeting the president said: "We want the public to have a more understandable sense of banking; we want our employees to have a more understandable sense of their duties and dealings with our clients and the public; we want our employees, while it is necessary to master the details and the techniques of banking, to understand banking in a bigger sphere."

## THE EMPLOYEE'S IMPORTANCE

AT the same meeting Dr. Stonier pointed out that the fundamental purpose of these conferences is to develop depositors into customers and keep them customers. I am sure the distinction will be clear.

Dr. Robert C. Clothier, President of Rutgers, addressing one of the meetings, observed: "A real responsibility rests upon the employee to acquire a knowledge of his company, not in some hazy way, but in a definite, clear-cut way. It is his responsibility to know the nature of the company's service to the public; to know its many ramifications; to know in what way it is divided up, to know who the persons are in the organization who are responsible for the discharge of these services. . . . It seems imperative to me that a man or a woman understand and appreciate the importance of his work and the importance of his position regardless of what that work and that position may be. . . . Its importance . . . will depend upon how important he thinks it is. If he thinks it is important he will make it important."

The bank employee, regardless of his rank or position in the institution from which he draws his salary, should be taught to bear in mind the fact that at any hour, any day, he may be brought into direct contact with a bank depositor or customer, and that he, the employee, is then and on every similar occasion acting as the bank's representative—the bank's ambassador. The impression that employee creates will be the impression the customer forms of the bank itself.

**By LESLIE G. MCDOUALL**

President, New Jersey Bankers Association; Vice-President, Fidelity-Union Trust Company, Newark, New Jersey

I recall the diplomatic attitude of a country banker who noticed that every morning a certain individual entered the bank and filled his fountain pen at one of the glass-topped tables along the wall. The banker, instead of becoming indignant and having the man ejected, smiled every time he met the man and said, "Good morning." That is probably the height of patience, but perhaps the banker figured that some day somebody in the man's family might open a savings account with money saved on the pilfered ink; or maybe the banker was a diplomat.

I actually believe that our conference program will aid in the restoration of prosperity. This is not far-fetched; it is entirely plausible. If we train our ambassadors to the public along sound, constructive lines, they will be better equipped to maintain closer, more cordial, more helpful human relationships; they will be better qualified to work with and assist depositors and customers; and our depositors and customers will be more firmly impressed with the purposes and benefits of banking and bank service.

#### CUSTOMER INCENTIVE

IT then logically follows that our depositors and customers will entertain a stronger belief in the policies of their bank. This increased confidence will supply an additional urge or incentive to use more bank service, the number and volume of transactions will grow, and there will be an advance in financial and commercial activity.

Assume that a checking depositor has been in, and a routine service has been performed particularly well by one of your tellers. That depositor has observed for himself what the teller has to contend with. Possibly the teller went to a little extra effort to please the depositor, who, as a result, feels more kindly toward the bank and its methods.

A few days elapse, and the depositor drops in and arranges for trust service, or the collection of notes, or a loan, or some other feature of service he has never used. This added business, in this case directly due to a clearer understanding of his duties by the teller, might never have come to the bank were it not for the expanded knowledge of human relationships gleaned by the teller from the bank's educational program.

Now, you will probably agree with me that as the individual bank clerk can do much to attract new business for

### THE STORY THESE FIGURES TELL

| Year | Total Deposits | Nashville Population | Average Per Capita |
|------|----------------|----------------------|--------------------|
| 1883 | \$ 369,240.28  | 43,350               | \$ 8.51            |
| 1893 | 1,138,982.99   | 76,168               | 14.95              |
| 1903 | 1,862,501.04   | 80,865               | 23.03              |
| 1913 | 5,726,377.18   | 110,364              | 51.88              |
| 1923 | 17,979,914.75  | 118,342              | 151.93             |
| 1933 | 29,723,668.61  | 156,200              | 190.29             |
| 1935 | 47,777,099.90  | 165,702              | 288.33             |

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his bank, so can a repetition of such instances add to the bank's business and to the business of other banks, and so, in this cumulative way, contribute to the return of what we regard as normal times. This is a conclusion based on accepted merchandising principles. Successful retail stores find such methods draw more customers to their counters, and more sales from each customer.

Dr. L. Douglas Meredith of the University of Vermont, in his recent book, *Merchandising for Banks, Trust Companies and Investment Houses*, says: "Every contact which the individual has with the personnel of the bank, every time he sees the building, every

time he reads or listens to an advertisement, or every time he talks with a sales representative of the institution, he forms a series of reactions. These reactions acquaint him with the institution and the nature of the services which it offers, and are favorable or unfavorable. The composite opinion developing within the individual's mind as a result of the favorable and unfavorable reactions represents his attitude toward the particular institution. If the composite opinion resulting from these reactions is more favorable toward one bank than toward competing institutions, he will in all likelihood patronize that institution. Consequently, the fi-

financial merchandiser is interested in producing a favorable composite of reactions."

This brings up a point. One way for banks to get more business, and at the same time maintain and extend public confidence, is to use advertising and publicity. But, as E. S. Woolley concludes in his article in the December issue of *BANKING*, "all advertising is useless unless it is supported by employee cooperation".

There, again, is another valid reason for such programs as these conferences of ours. As we instill in the minds of our people the principles and functions of sound banking, as we instruct them in the various relationships between employee and customer, and between departmental workers and executives, as we mould the thinking processes and mental attitudes of our staff members, we gain their confidence and equip them to gain the confidence of the outsiders with whom they have dealings.

In the textbook, *Constructive Customer Relations*, which is required reading for those attending our banking conferences, there is a paragraph which comes under the heading of "Planning Your Public Relations", which is worth quoting:

"The interdependence of bank advertising and the bank personnel is obvious. In his contact with customers, the bank employee is under an obligation to reflect the point of view which his institution has set forth officially to the public in its advertising. A surly teller is hardly an effective confirmation of advertisements that proclaim the bank's friendly interest in its customers' financial problems. A bank which advertises its willingness to serve small depositors should be staffed with employees who will handle such depositors with the courtesy they have been led to expect."

It might be added, if an employee can successfully deal with a small depositor, that employee can be equally successful with a large depositor. I say this advisedly. After all, a bank's services must be merchandised to the public, in much the same manner as a retailer merchandises his wares. And a bank, like a retailer, must keep right on selling and reselling the public. If a woman goes into a big department store for a 5-cent spool of thread and the clerk who waits on her is courteous and helpful, the customer will automatically gain a greater degree of faith in that store and its methods, and the clerk who sold that spool of thread has in consequence done a constructive job, bearing in mind potential profit oppor-

tunities a hundred or even a thousand times greater than the inconsequential margin on one 5-cent commodity.

Some day, possibly that customer might purchase a hundred dollars' worth of furniture in that same store, merely because the clerk at the notion counter knew her business. By the same token, a man who deposits or draws \$10 today may be the same man who, a year or five years from now, will be maintaining a balance in five figures.

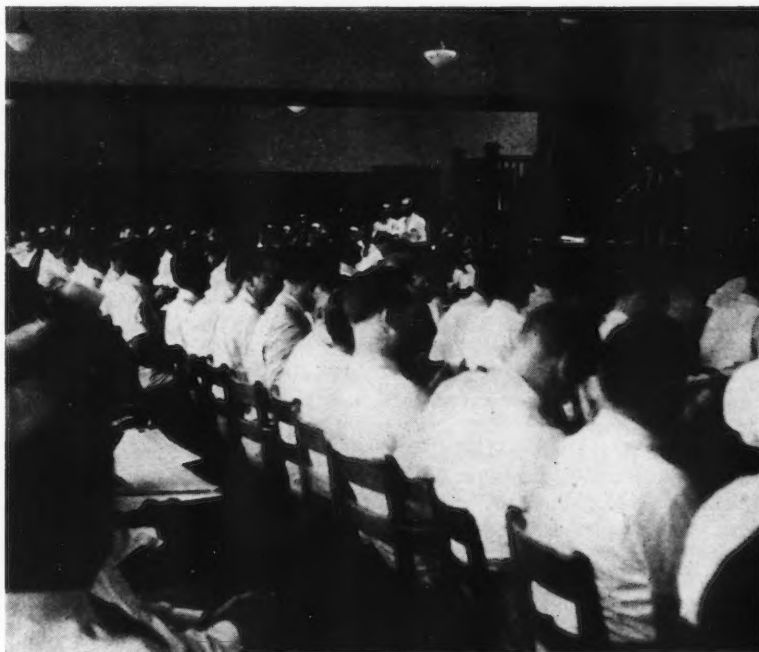
We never know what apparently unimportant customer will become a highly valuable and profitable one, and the bank employee can by his acts and his attitude help to develop small accounts into large ones. That is just one of the results I believe will come out of these conferences, but if it were the only result, I would still say that the conferences were worth while.

If the many advantages of our conferences could be impressed upon every banker, I am sure the idea would be adopted by a sufficient number of banking institutions to influence substantially the expansion of American business through the intensely desirable and effective means of education. When I think of education I have in mind educating the customer as well as the bank employee. But while there are other channels through which the customer can be enlightened and his confidence in American banking increased and built up, I cannot help but feel that a great deal can and should be done through the bank employee.

As our "ambassador to the public", the staff member has it in his power to render incalculable aid in developing and cementing good relations with the American public.

#### Conference-Courses

"THESE conferences are modeled somewhat on the Graduate School of Banking held at Rutgers last Summer, but changed to meet our special needs. We included such topics as "The Development of Customer and Public Relations Problems", "The Psychological Factors in Bank Customer Relations" and "Major Banking Functions". Under "Psychological Factors" some very important subjects were discussed. We covered important differences in individuals which affect customer relations—their habits and emotions and methods of controlling them."



A classroom at the first resident session of the Graduate School of Banking

# The Weekly F.R.S. Reports

## Quick Reference Definitions

### WEEKLY REPORTING MEMBER BANKS

1. *Total loans and investments*
2. *Loans to brokers and dealers*
  - (a) *In New York City*
  - (b) *Outside New York City*
3. *Loans on securities to others (except banks)*
4. *Acceptances and commercial paper bought*
5. *Loans on real estate*
6. *Loans to banks*
7. *Other loans*
8. *United States Government direct obligations*
9. *Obligations fully guaranteed by the U. S. Government*
10. *Other securities*
11. *Reserve with Federal Reserve banks*
12. *Cash in vault*
13. *Due from domestic banks*
14. *Other assets—net*
15. *Demand deposits—adjusted*
16. *Time deposits*
17. *Government deposits*
18. *Inter-bank deposits*
  - (a) *Domestic banks*
  - (b) *Foreign banks*
19. *Borrowings*
20. *Other liabilities*
21. *Capital account*

**F**IGURES of reporting member banks of the Federal Reserve System, made public by the Board of Governors, constitute the most important indicator of the movement of commercial bank credit. A knowledge of what weekly changes mean, or may mean, as well as how the figures are prepared and what various items include, is of prime importance to bank officers throughout the country.

What are the "reporting member banks"?

They are representative member banks in 101 leading cities, including the central Reserve cities of New York and Chicago. (For a revised list of cities see the *Federal Reserve Bulletin* for November 1935, page 738.) At one time 820 banks were included in the compilations, but through withdrawals, closings, mergers and other causes the list dwindled, falling to 375 at the time of the banking holiday. At present there are 398 banks, mainly large city banks most affected by short term money market influences. The weekly figures are compiled from selected balance sheet items and are published in the newspapers Tuesday mornings, the figures being as of the preceding Wednesdays.

The figures are published in three tables, the first showing totals of balance sheet items for all the weekly reporting banks. The second table shows figures for the reporting banks in the two central Reserve cities, New York and Chi-

cago. The third is a division of the total figures shown in the first table by Federal Reserve districts. The first two tables give comparisons with a week and a year earlier. The third gives no comparisons, being merely a breakdown of the first table. Classification of balance sheet items is the same on all three tables. The 21 items published weekly are listed at the left and are made up as follows:

1. *Loans and investments—total.* The total of items 2 to 10 inclusive.

2. *Loans to brokers and dealers.* This includes loans against security collateral not only to stock and bond brokerage firms, but also loans against Government securities to discount houses and Government securities houses. Sometimes entire weekly changes reflect activities of the latter, and the conclusion that the figures are a reliable indication of the extent to which credit is employed in securities speculation is for that reason not always warranted. Loans to investment houses in connection with flotation of new security issues also sometimes distort the picture.

3. *Loans on securities to others (except banks).* Collateral loans, secured by stocks and bonds, made to individuals, partnerships and corporations other than brokers, dealers and banks.

4. *Acceptances and commercial paper bought.* This item does not include reporting banks' own acceptances. It lumps commercial paper with acceptances of other banks purchased and there is no way of unscrambling them.

5. *Loans on real estate.* All loans made on real estate security. The call condition report differentiates farm land from other real estate loans.

6. *Loans to banks.* Included here are loans to banks on securities and unsecured loans to banks, and loans to foreign and domestic banks, as well as bank transactions in Federal funds (see 7 below). During 1935 huge loans were made to foreign banks against the security of gold shipments in transit, and weekly changes in these loans accounted mainly for weekly changes in the whole item.

7. *Other loans.* A catch-all item which includes the great bulk of unsecured (by securities, real estate and other specific security of that nature) loans made by banks to individuals and corporations on commercial account. It includes such items, however, as reporting banks' own acceptances and overdrafts by customers. Formerly it included bank sales of Federal funds (checks upon the Federal Reserve banks), representing loans of balances in the Reserve banks. It still includes Federal fund transactions by others than banks. Not included are items 2 to 6 inclusive.

8. *United States Government direct obligations.* All bonds, notes, certificates and bills; any security issued directly by the United States.

9. *Obligations fully guaranteed by the United States as to principal and interest.* Obligations of the Reconstruction Finance Corporation, the Federal Farm Mortgage Corporation and Home Owners' Loan Corporation, guaranteed as to principal and interest by the United States. This does not

include obligations (only a few outstanding now) of the Home Owners' Loan Corporation guaranteed by the United States as to interest only, nor does it include securities of the Federal land banks or other agencies not guaranteed.

10. *Other securities.* Another catch-all item, which includes obligations of states, counties, municipalities and other political subdivisions, domestic and foreign, securities of public utilities, railroads, Home Owners' Loan Corporation bonds guaranteed as to interest only, obligations of the Federal land banks, intermediate credit banks, joint stock land banks, territorial and insular possessions, real estate corporations and other corporations, domestic and foreign.

Also are included stocks of banks and banking corporations and other corporations, affiliated or not, real estate corporations and stocks of the Federal Reserve banks.

11. *Reserve with the Federal Reserve banks.* The balances of member banks in the Federal Reserve banks which are immediately utilizable. This does not include deposits with the Federal Reserve in process of collection for which credit has not been given. By calculating required reserves and deducting required from actual reserves, excess reserves may be closely approximated.

The method of calculating excess reserves is: If reserve requirement is 13 per cent of demand deposits, find the sum of net demand deposits adjusted, Government deposits and interbank deposits and deduct from such sum item 13, "due from domestic banks". Take 13 per cent thereof. To such figure add 3 per cent of time deposits. (Three per cent is the uniform requirement throughout the country.) The figure so arrived at is approximately required reserve, which must be deducted from actual reserve (item 11) to find excess reserve.

12. *Cash in vault* is merely that portion of a bank's cash which is held in its own vaults for convenience. It is not a portion of a bank's reserve, but may become so by being deposited in the Federal Reserve bank.

13. *Due from domestic banks.* Demand and time balances with banks in the United States.

14. *Other assets—net.* Balances with foreign banks and balances with own foreign branches do not show in the weekly reporting banks' figures and in the call condition reports are lumped under "all other assets", along with banking houses, other real estate owned, customers' liability on acceptances, etc.

15. *Demand deposits adjusted.* The amount of balances subject to check of individuals, partnerships, corporations, clubs, associations and state and local governmental bodies, certified and officers' checks, travelers' checks and cash letters of credit, less cash items in hand or in process of collection, or what is commonly termed the "float", which, if counted, means a double counting of deposits. Not all the "float" can be deducted, for some of it appears in "due from domestic banks".

16. *Time deposits.* Time deposits of individuals and all others evidenced by savings passbooks, certificates of deposit, Christmas savings, open accounts and postal savings, which latter are not included in Government deposits.

17. *Government deposits.* All direct Government deposits, except postal savings and Government agencies.

18. *Inter-bank deposits.* Deposits, demand and time, of domestic and foreign banks, member banks or non-member, with member banks. Foreign bank deposits are an indicator of a portion of the international flow of capital.

19. *Borrowings.* Bills payable and rediscounted at the Federal Reserve banks or elsewhere.

20. *Other liabilities.* Mainly acceptances for customers, acceptances of other banks and other bills sold with endorsement, various accrual items and, up to August 1935, national bank notes outstanding.

21. *Capital account.* Common and preferred stock, capital notes and debentures, surplus, undivided profits and reserves for contingencies, as such items appear on the books of banks reporting.

## RESERVE BANK CREDIT

1. *Total Reserve bank credit*
2. *Monetary gold stock*
3. *Treasury and national bank currency*
4. *Money in circulation*
5. *Treasury cash and deposits with the Federal Reserve banks*
6. *Non-member deposits*
7. *Other Federal Reserve accounts*
8. *Member bank reserve balances.*

IN conjunction with the consolidated condition statement of reporting member banks, published every Tuesday, the weekly figures on Reserve bank credit, compiled by the Federal Reserve Board of Governors and issued Thursday evenings for publication in the press Friday morning, are the most important indicators of financial conditions. The Tuesday figures reveal what member banks of the nation are doing with their credit and through what avenues it is being called into use. The Friday statistics show whether the money market and the member banks are receiving fresh funds or are having funds syphoned out through the operation of the central banks.

It is generally known that money market funds are expanded by an increase in monetary gold stock and that, when member banks pay off rediscounts at the Federal Reserve, the open market money supply is depleted correspondingly. They also know that when the central banks purchase Government securities they put funds into the open market and, when they sell them, take funds out. But there are many who would find it difficult to explain just what constitutes "Treasury and national bank currency" and "other Federal Reserve accounts", and, if a national policy were disclosed by a significant movement of certain items, they would have to depend upon their financial journals for an interpretation which they could make for themselves, possibly before the financial journals got around to it.

Because, in normal times at least, the functioning of the central credit reservoirs are of vital influence upon the member banks, it is obviously important that every bank man know how to read the figures issued each Thursday, which reflect the condition of the Reserve banks and of the Treasury as of the day before (Wednesday).

The weekly Reserve Board summary shows eight principal items, which are listed above.

Except for member bank reserves, the order given above is the order in which the items are listed in the Reserve Board's weekly summary.

Increases in the first three items tend to put money into the market and into member bank reserves. Decreases tend to take funds out.

Decreases in items 4 to 7, inclusive, usually put money

into the market and into member bank reserves. Increases usually take funds out.

The interplay of changes in items 1 to 7 tends to find reflection in item 8.

The sum of items 1, 2 and 3 equals the sum of items 4, 5, 6, 7 and 8.

1. *Total Reserve bank credit* is shown on each statement—bills discounted, bills bought (open market acceptances), Government securities, industrial advances (direct loans) made under Section 13b of the Reserve Act, and "other Reserve bank credit". Only the latter needs explanation to the average reader. It includes funds of the Reserve bank on deposit in foreign banks, the Reserve bank's "float" or uncollected items in excess of deferred availability items (see Reserve bank balance sheets) and securities other than governmental, such as municipal warrants and intermediate credit bank debentures.

2. *Monetary gold* consists of all gold held in the Treasury or for its account anywhere in this country but does not include earmarked gold or old gold coin presumably still in circulation, which on January 31, 1934, was estimated at \$287,000,000 and which was "written off" both from monetary gold and from money in circulation.

3. *Treasury and national bank currency* is the lump sum of all outstanding national bank notes, for which the Treasury now is responsible until they are retired (national banks having deposited lawful money for their redemption), silver dollars, silver bullion against which certificates are issued, subsidiary silver, minor coin, greenbacks or United States notes, and a small amount of Federal Reserve bank notes in process of withdrawal, as well as a small amount of Treasury notes of 1890. If silver certificate issues increase, so does treasury currency, for there are additions to the amount of silver pledged for them. Silver certificates themselves are not included in Treasury and national bank currency, nor are gold certificates or Federal Reserve notes. Treasury and national bank currency includes not only all of those currencies mentioned which are in circulation but also amounts in the Treasury and in the Reserve banks.

4. *Money in circulation* excludes money in the Treasury and in the Federal Reserve banks, but includes vault cash of member banks and others. It includes no gold coin, but does include gold certificates still unexchanged for other money, silver dollars, silver certificates, Federal Reserve notes, national bank notes, Federal Reserve bank notes, greenbacks or United States notes, Treasury notes of 1890, subsidiary silver and minor coin. It includes much money which has been carried abroad, or which is in circulation in Cuba.

5. *Treasury cash and deposits with Federal Reserve banks* includes money in the Treasury and balances in the Reserve banks. The principal component part is gold in the stabilization fund and in the general fund (which and how much may be seen from the Treasury daily statements). Other items are such moderate amounts of silver bullion and silver dollars, certificates, subsidiary silver or minor coin, Federal Reserve notes, national bank notes, etc., as may be in the Treasury and listed as "all other money" on the monthly *Treasury Circulation Statement of United States Money*.

6. *Nonmember deposits* are the sum of two items which appear on the liability side of every Federal Reserve bank statement, namely, foreign bank deposits and other deposits. They include all deposits except those in member bank deposits and those in the general deposit account of the Treasury. Included also are deposits of such Government

agencies as the stabilization fund, deposits of foreign governments, if any, and of foreign central banks.

7. *Other Federal Reserve accounts* is an item made up by adding five items on the Reserve bank statements—capital paid in, surplus (both that under section 7 and that of section 13b of the Reserve Act), reserve for contingencies and all other liabilities—and deducting from the aggregate two items, also on Federal Reserve bank statements—bank premises and all other assets.

8. *Member bank reserve balances* are the deposits of member banks in the Reserve banks. They include no cash in member bank vaults, which is not a legal reserve until deposited in the Reserve banks. There is no way of calculating from Reserve bank statements "required" and "excess" reserves. In the press release accompanying the statistics issued each Thursday evening for publication the next day, the excess reserves are officially estimated by the Board on the basis of reports from member banks. Excess reserves may be calculated from deposit figures of reporting member banks by the method outlined on page 103.

Some general observations are in order as to the operations of the Reserve banks and the money market, and the mechanics of them. Purchases or sales of bills or increases or decreases in discounts by the Reserve banks show the resort made to them by the member banks and the market on the initiative of the member banks or the market. Purchases of Government securities usually mean that the initiative has been taken by the Reserve banks, except on infrequent occasions when securities are sold to the Reserve banks temporarily under repurchase agreements by Government securities dealers to tide over a brief period when funds for the carrying of dealers' portfolios are not readily available in the money market.

Except in the case of bills taken over under agreements for resale, the Reserve banks never sell acceptances, so that when their portfolio falls, it may be interpreted as an excess of maturities over new purchases. Changes in Government securities may occur either by sale or purchase or through allowing securities to mature without replacement. All Government securities purchased or sold by the Reserve banks, since the enactment of the Banking Act of 1933, must be in the open market; the Treasury may not deal directly with the Reserve banks, as it used to do at tax dates by selling special one-day certificates of indebtedness.

Under our present system of importing gold, where the initiative is with member and nonmember banks and bankers, the Treasury passively accepting all gold tendered at a fixed price, every dollar of gold imported adds to member bank reserves. They import it and sell it for Treasury funds which are added to their reserves at the Reserve banks.

Compiled by F. E. TYNG, JR.

On page 3, Section Two, of the March issue of *BANKING*, the item "Other Funds" of the Federal Deposit Insurance Corporation should have read: "The corporation can issue notes, debentures, bonds or the like up to three times its capital and the premium assessment on its members in 1936—roughly a billion dollars."

On page 4, Section Two, of the March issue, the item "Rates" of the Federal Housing Administration should have read: "On insured mortgages, depending on the transaction, 5 or 5½ per cent insurance premium, and, when permitted, ½ per cent service charge. On modernization and repair loans the maximum charge is 5 per cent discounted in advance."

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# BANKING

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